SAM HOUSTON AREA COUNCIL
BOY SCOUTS OF AMERICA

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CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE

YEARS ENDED DECEMBER 31, 2017 AND 2016

AND INDEPENDENT AUDITOR'S REPORT

MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY

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MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of
Sam Houston Area Council Boy Scouts of America and Subsidiary

We have audited the accompanying consolidated financial statements of Sam Houston Area Council Boy Scouts of America and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sam Houston Area Council Boy Scouts of America and Subsidiary as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

Report on Summarized Comparative Information

We have previously audited the Sam Houston Area Council Boy Scouts of America and Subsidiary's 2016 consolidated financial statements, and our report dated May 3, 2017 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented in the consolidated statement of functional expenses for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Melton & Melton, L.L.P.

Houston, Texas
May 7, 2018

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
ASSETS								
Current Assets:								
Cash	$ 7,035,429	$ 7,005,852	$ -	$ -	$ -	$ -	$ 7,035,429	$ 7,005,852
Short-term investments	-	-	19,672,941	21,851,005	-	-	19,672,941	21,851,005
Accounts receivable	384,238	288,579	-	8,000	149,435	143,585	533,673	440,164
Contributions receivable	590,705	1,100,561	858,804	1,164,844	1,765,175	2,038,046	3,214,684	4,303,451
Inventories	55,904	63,966	-	-	-	-	55,904	63,966
Prepaid expenses	157,543	286,334	69,030	87,138	-	-	226,573	373,472
Total current assets	8,223,819	8,745,292	20,600,775	23,110,987	1,914,610	2,181,631	30,739,204	34,037,910
Noncurrent Assets:								
Contributions receivable	-	-	1,210,207	246,072	2,058,701	1,396,759	3,268,908	1,642,831
Property, net	-	-	39,152,554	32,650,262	-	-	39,152,554	32,650,262
Property held for sale	-	-	4,995,467	6,292,733	-	-	4,995,467	6,292,733
Long-term investments	-	-	28,229	39,514	75,617,088	72,528,008	75,645,317	72,567,522
Cash surrender value of life insurance	-	-	-	-	212,591	186,466	212,591	186,466
Other assets	-	1,095	-	-	-	-	-	1,095
Total noncurrent assets	-	1,095	45,386,457	39,228,581	77,888,380	74,111,233	123,274,837	113,340,909
Total Assets	**$ 8,223,819**	**$ 8,746,387**	**$ 65,987,232**	**$ 62,339,568**	**$ 79,802,990**	**$ 76,292,864**	**$ 154,014,041**	**$ 147,378,819**
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	$ 217,461	$ 474,303	$ 54,032	$ 1,549,357	$ -	$ -	$ 271,493	$ 2,023,660
Accrued expenses	891,124	376,237	-	-	-	-	891,124	376,237
Payroll taxes withheld	24	24	-	-	-	-	24	24
Custodial accounts	1,671,408	1,477,186	140,585	140,585	-	-	1,811,993	1,617,771
Deferred activity income	20,905	301,412	-	-	-	-	20,905	301,412
Deferred camp income	8,690	23,893	-	-	-	-	8,690	23,893
Deferred other income	35,338	44,757	-	-	-	-	35,338	44,757
Other current liabilities	28,552	26,389	-	33,100	-	-	28,552	59,489
Total current liabilities	2,873,502	2,724,201	194,617	1,723,042	-	-	3,068,119	4,447,243
Net Assets:								
Unrestricted net assets	4,271,287	4,064,626	40,673,748	32,136,833	18,645,516	16,619,061	63,590,551	52,820,520
Temporarily restricted net assets	1,079,030	1,957,560	25,118,867	28,479,693	26,899,836	26,794,701	53,097,733	57,231,954
Permanently restricted net assets	-	-	-	-	34,257,638	32,879,102	34,257,638	32,879,102
Total net assets	5,350,317	6,022,186	65,792,615	60,616,526	79,802,990	76,292,864	150,945,922	142,931,576
Total Liabilities and Net Assets	**$ 8,223,819**	**$ 8,746,387**	**$ 65,987,232**	**$ 62,339,568**	**$ 79,802,990**	**$ 76,292,864**	**$ 154,014,041**	**$ 147,378,819**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	$ 1,705,243	$ 1,898,647	$ -	$ -	$ -	$ -	$ 1,705,243	$ 1,898,647
Capital campaign	-	-	145,140	146,394	-	-	145,140	146,394
Special events, gross	1,360,880	973,961	-	-	-	-	1,360,880	973,961
Less: Cost of direct benefit	391,963	397,150	-	-	-	-	391,963	397,150
Net special events	968,917	576,811	-	-	-	-	968,917	576,811
Foundations and trusts	594,332	813,422	-	-	-	-	594,332	813,422
Other direct	243,947	510,034	63,119	13,837	18,725	16,156	325,791	540,027
Legacies and bequests	-	-	111,159	-	-	-	111,159	-
Total direct support	3,512,439	3,798,914	319,418	160,231	18,725	16,156	3,850,582	3,975,301
Indirect support:								
United Way	919,716	973,184	-	-	-	-	919,716	973,184
Total indirect support	919,716	973,184	-	-	-	-	919,716	973,184
Total support	4,432,155	4,772,098	319,418	160,231	18,725	16,156	4,770,298	4,948,485
Revenues (losses):								
Sale of supplies, gross	4,246	4,298	-	-	-	-	4,246	4,298
Less: Cost of goods sold	2,104	2,155	-	-	-	-	2,104	2,155
Net sale of supplies	2,142	2,143	-	-	-	-	2,142	2,143
Product sales, gross	4,082,613	3,925,837	-	-	-	-	4,082,613	3,925,837
Less: Cost of goods sold	1,046,774	1,066,473	-	-	-	-	1,046,774	1,066,473
Less: Commissions paid to units	1,313,226	1,356,568	-	-	-	-	1,313,226	1,356,568
Net product sales	1,722,613	1,502,796	-	-	-	-	1,722,613	1,502,796

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues (losses) (continued):								
Investment income	$ 15,365	$ 3,544	$ 207,640	$ 178,849	$ 1,364,792	$ 990,005	$ 1,587,797	$ 1,172,398
Spending policy allocation	1,627,622	2,115,372	1,596,378	948,290	(3,224,000)	(3,063,662)	-	-
Realized gain on investments	-	-	1,986	-	1,273,743	680,370	1,275,729	680,370
Unrealized gain (loss) on investments	-	-	(11,286)	1,486	2,508,226	997,787	2,496,940	999,273
Camping	1,040,527	961,204	-	-	-	-	1,040,527	961,204
Activities	1,333,098	930,288	-	-	-	-	1,333,098	930,288
Gain on sale of property	-	-	1,594,608	-	-	-	1,594,608	-
Other revenue	584,644	632,667	50,300	671,488	-	-	634,944	1,304,155
Total revenues (losses)	6,326,011	6,148,014	3,439,626	1,800,113	1,922,761	(395,500)	11,688,398	7,552,627
Net assets released from restrictions (see Note 9):								
Reclass Friends of Scouting	514,972	562,522	-	-	-	-	514,972	562,522
Reclass capital campaign	-	-	7,590,598	3,230,308	-	-	7,590,598	3,230,308
Reclass special events	210,705	338,700	-	-	-	-	210,705	338,700
Reclass foundations and trusts	77,000	90,672	-	-	-	-	77,000	90,672
Reclass other direct support	649,231	4,501	-	-	-	-	649,231	4,501
Reclass United Way	348,176	368,340	-	-	-	-	348,176	368,340
Reclass legacies and bequests	10,000	-	-	-	-	-	10,000	-
Total net assets released from restrictions	1,810,084	1,364,735	7,590,598	3,230,308	-	-	9,400,682	4,595,043
Other reclassifications of net assets (see Note 9):								
Reclass investment income	-	-	(1,111,378)	(773,290)	-	-	(1,111,378)	(773,290)
Total other reclassifications of net assets	-	-	(1,111,378)	(773,290)	-	-	(1,111,378)	(773,290)
Total support and revenues (losses)	12,568,250	12,284,847	10,238,264	4,417,362	1,941,486	(379,344)	24,748,000	16,322,865
Expenses:								
Program services	10,696,781	10,412,704	1,426,160	1,279,985	49,501	103,161	12,172,442	11,795,850
Support services:								
Management and general	571,069	689,233	36,030	45,685	13,014	19,110	620,113	754,028
Fundraising	1,014,604	843,914	81,996	93,581	6,786	10,894	1,103,386	948,389
Total functional expenses	12,282,454	11,945,851	1,544,186	1,419,251	69,301	133,165	13,895,941	13,498,267
Charter and national service fees	82,028	82,028	-	-	-	-	82,028	82,028
Total expenses	12,364,482	12,027,879	1,544,186	1,419,251	69,301	133,165	13,977,969	13,580,295
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	203,768	256,968	8,694,078	2,998,111	1,872,185	(512,509)	10,770,031	2,742,570

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:								
Support and revenues (losses):								
Direct support:								
Friends of Scouting	$ 54,375	$ 514,972	$ -	$ -	$ -	$ -	$ 54,375	$ 514,972
Capital campaign	-	-	3,118,394	355,881	-	-	3,118,394	355,881
Special events, gross	31,500	210,705	-	-	-	-	31,500	210,705
Less: Cost of direct benefit	-	-	-	-	-	-	-	-
Net special events	31,500	210,705	-	-	-	-	31,500	210,705
Foundations and trusts	7,765	42,000	-	-	-	-	7,765	42,000
Other direct	517,564	785,993	-	-	-	-	517,564	785,993
Change in split-interest agreement	-	173	-	-	-	-	-	173
Legacies and bequests	-	(29,923)	-	-	105,135	35,396	105,135	5,473
Total direct support	611,204	1,523,920	3,118,394	355,881	105,135	35,396	3,834,733	1,915,197
Indirect support:								
United Way	320,350	348,178	-	-	-	-	320,350	348,178
Total indirect support	320,350	348,178	-	-	-	-	320,350	348,178
Net assets released from restrictions (see Note 9):								
Reclass Friends of Scouting	(514,972)	(562,522)	-	-	-	-	(514,972)	(562,522)
Reclass capital campaign	-	-	(7,590,598)	(3,230,308)	-	-	(7,590,598)	(3,230,308)
Reclass special events	(210,705)	(338,700)	-	-	-	-	(210,705)	(338,700)
Reclass foundations and trusts	(77,000)	(90,672)	-	-	-	-	(77,000)	(90,672)
Reclass other direct support	(649,231)	(4,501)	-	-	-	-	(649,231)	(4,501)
Reclass United Way	(348,176)	(368,340)	-	-	-	-	(348,176)	(368,340)
Reclass legacies and bequests	(10,000)	-	-	-	-	-	(10,000)	-
Total net assets released from restrictions	(1,810,084)	(1,364,735)	(7,590,598)	(3,230,308)	-	-	(9,400,682)	(4,595,043)
Other reclassifications of net assets (see Note 9):								
Reclass investment income	-	-	1,111,378	773,290	-	-	1,111,378	773,290
Total other reclassifications of net assets	-	-	1,111,378	773,290	-	-	1,111,378	773,290
Total support and revenues (losses)	(878,530)	507,363	(3,360,826)	(2,101,137)	105,135	35,396	(4,134,221)	(1,558,378)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(878,530)	507,363	(3,360,826)	(2,101,137)	105,135	35,396	(4,134,221)	(1,558,378)

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:								
Support and revenues:								
Direct support:								
Legacies and bequests	$ -	$ -	$ -	$ -	$ 804,304	$ 562,160	$ 804,304	$ 562,160
Change in split-interest agreement	-	-	-	-	9,937	39,010	9,937	39,010
Other direct	-	-	-	-	564,295	1,115,159	564,295	1,115,159
Total direct support	-	-	-	-	1,378,536	1,716,329	1,378,536	1,716,329
Total support and revenues	-	-	-	-	1,378,536	1,716,329	1,378,536	1,716,329
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	-	-	-	-	1,378,536	1,716,329	1,378,536	1,716,329
INCREASE (DECREASE) IN TOTAL NET ASSETS	(674,762)	764,331	5,333,252	896,974	3,355,856	1,239,216	8,014,346	2,900,521
NET ASSETS, beginning of year								
Unrestricted net assets	4,064,626	3,807,658	32,136,833	29,273,412	16,619,061	16,996,880	52,820,520	50,077,950
Temporarily restricted net assets	1,957,560	1,450,197	28,479,693	30,580,830	26,794,701	26,759,305	57,231,954	58,790,332
Permanently restricted net assets	-	-	-	-	32,879,102	31,162,773	32,879,102	31,162,773
Total net assets, beginning of year	6,022,186	5,257,855	60,616,526	59,854,242	76,292,864	74,918,958	142,931,576	140,031,055
Transfers in (out) of unrestricted net assets	2,893	-	(157,163)	(134,690)	154,270	134,690	-	-
NET ASSETS, end of year								
Unrestricted net assets	4,271,287	4,064,626	40,673,748	32,136,833	18,645,516	16,619,061	63,590,551	52,820,520
Temporarily restricted net assets	1,079,030	1,957,560	25,118,867	28,479,693	26,899,836	26,794,701	53,097,733	57,231,954
Permanently restricted net assets	-	-	-	-	34,257,638	32,879,102	34,257,638	32,879,102
Total net assets, end of year	**$ 5,350,317**	**$ 6,022,186**	**$ 65,792,615**	**$ 60,616,526**	**$ 79,802,990**	**$ 76,292,864**	**$ 150,945,922**	**$ 142,931,576**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

		Support Services			Total Expenses	
	Program Services 2017	Management & General 2017	Fundraising 2017	Total Support Services 2017	2017	2016
Employee Compensation:						
Salaries	$ 5,217,024	$ 317,244	$ 579,649	$ 896,893	$ 6,113,917	$ 6,011,864
Employee benefits	989,097	70,108	128,098	198,206	1,187,303	1,166,586
Payroll taxes	427,903	27,233	49,758	76,991	504,894	557,078
Employee related expenses	30,239	2,269	4,146	6,415	36,654	29,799
Total employee compensation	6,664,263	416,854	761,651	1,178,505	7,842,768	7,765,327
Other Expenses:						
Professional fees	337,285	110,953	33,177	144,130	481,415	371,187
Supplies	1,031,547	3,695	43,710	47,405	1,078,952	993,200
Telephone	61,527	3,365	6,149	9,514	71,041	72,612
Postage and shipping	12,231	705	19,070	19,775	32,006	36,010
Occupancy	1,029,117	32,575	59,519	92,094	1,121,211	1,033,781
Rental and maintenance of equipment	157,096	9,418	17,208	26,626	183,722	127,931
Publications and media	81,048	125	29,756	29,881	110,929	136,498
Travel	473,327	22,457	43,462	65,919	539,246	593,137
Local conferences and meetings	304,429	3,178	9,926	13,104	317,533	81,510
Specific assistance to individuals	404,512	1	2	3	404,515	511,252
Recognition awards	60,401	764	50,480	51,244	111,645	95,534
Insurance	374,613	3,648	6,665	10,313	384,926	372,001
Other expenses	256,167	(10,170)	(18,581)	(28,751)	227,416	256,177
Total other expenses	4,583,300	180,714	300,543	481,257	5,064,557	4,680,830
Total expenses before depreciation	11,247,563	597,568	1,062,194	1,659,762	12,907,325	12,446,157
Depreciation expense	924,879	22,545	41,192	63,737	988,616	1,052,110
Total Functional Expenses	**$ 12,172,442**	**$ 620,113**	**$ 1,103,386**	**$ 1,723,499**	**$ 13,895,941**	**$ 13,498,267**
Percent of Total Expenses by Function *	**87.60%**	**4.46%**	**7.94%**	**12.40%**		
Time Study Percentages	**82.50%**	**6.19%**	**11.31%**			

* Percentage figures after combining allocated and unallocated expenses

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Cash Flows from Operating Activities:								
Increase (decrease) in total net assets	$ (674,762)	$ 764,331	$ 5,333,252	$ 896,974	$ 3,355,856	$ 1,239,216	$ 8,014,346	$ 2,900,521
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by (used in) operating activities:								
Depreciation	-	-	988,616	1,052,110	-	-	988,616	1,052,110
Gain on sale of property	-	-	(1,594,608)	-	-	-	(1,594,608)	-
Realized and unrealized (gain) loss on investments, net	-	-	9,300	(1,486)	(3,781,969)	(1,678,157)	(3,772,669)	(1,679,643)
Contributions restricted for long-term purposes	-	-	-	-	(1,378,536)	(1,716,329)	(1,378,536)	(1,716,329)
Change in assets and liabilities:								
Accounts receivable	(95,659)	(81,310)	8,000	1,600	(5,850)	(143,585)	(93,509)	(223,295)
Contributions receivable	509,856	295,653	(658,095)	(100,840)	(389,071)	275,234	(537,310)	470,047
Inventories	8,062	1,263	-	-	-	-	8,062	1,263
Prepaid expenses	128,791	(67,867)	18,108	(50,478)	-	-	146,899	(118,345)
Other assets	1,095	12,631	-	-	-	-	1,095	12,631
Cash surrender value of life insurance	-	-	-	-	(26,125)	(13,513)	(26,125)	(13,513)
Accounts payable	(256,842)	(416,378)	(251,283)	275,317	-	-	(508,125)	(141,061)
Accrued expenses	514,887	43,418	-	-	-	-	514,887	43,418
Payroll taxes withheld	-	(402)	-	-	-	-	-	(402)
Custodial accounts	194,222	7,346	-	-	-	-	194,222	7,346
Deferred activity income	(280,507)	133,450	-	-	-	-	(280,507)	133,450
Deferred camp income	(15,203)	12,907	-	-	-	-	(15,203)	12,907
Deferred other income	(9,419)	37,316	-	-	-	-	(9,419)	37,316
Other current liabilities	2,163	(319)	(33,100)	33,100	-	-	(30,937)	32,781
Net cash provided by (used in) operating activities	26,684	742,039	3,820,190	2,106,297	(2,225,695)	(2,037,134)	1,621,179	811,202

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Cash Flows from Investing Activities:								
Proceeds from sale of property	$ -	$ -	$ 2,943,550	$ -	$ -	$ -	$ 2,943,550	$ -
Purchase of property	-	-	(8,786,626)	(2,552,043)	-	-	(8,786,626)	(2,552,043)
Proceeds from sale of investments	-	-	9,663,305	580,436	3,294,951	3,194,967	12,958,256	3,775,403
Purchase of investments	-	-	(7,483,256)	-	(2,602,062)	(3,008,852)	(10,085,318)	(3,008,852)
Net cash provided by (used in) investing activities	-	-	(3,663,027)	(1,971,607)	692,889	186,115	(2,970,138)	(1,785,492)
Cash Flows from Financing Activities:								
Proceeds from contributions restricted for long-term purposes	-	-	-	-	1,378,536	1,716,329	1,378,536	1,716,329
Transfers in (out) of unrestricted net assets	2,893	-	(157,163)	(134,690)	154,270	134,690	-	-
Net cash provided by (used in) financing activities	2,893	-	(157,163)	(134,690)	1,532,806	1,851,019	1,378,536	1,716,329
Net change in cash	29,577	742,039	-	-	-	-	29,577	742,039
Cash, beginning of year	7,005,852	6,263,813	-	-	-	-	7,005,852	6,263,813
Cash, end of year	**$ 7,035,429**	**$ 7,005,852**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 7,035,429**	**$ 7,005,852**
Supplemental Disclosure of Noncash Transactions:								
Property acquired through accounts payable	**$ -**	**$ -**	**$ -**	**$ 1,244,042**	**$ -**	**$ -**	**$ -**	**$ 1,244,042**

(See Notes to Consolidated Financial Statements)

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Local Council, Sam Houston Area Council Boy Scouts of America (the "Council"), headquartered in Houston, Texas, operates in the counties of Austin, Brazos, Burleson, portions of Chambers, Colorado, Fort Bend, Grimes, Harris, Madison, Matagorda, Montgomery, portions of Trinity, Walker, Waller, Washington, and Wharton. The Council has five camping facilities. The Camp Strake Properties Foundation Incorporated (the "Foundation") was established for the benefit of the Council. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods that are now in common use by the Boy Scouts of America.

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

Scout Oath – On my honor I will do my best to do my duty to God and my country and to obey the Scout Law; to help other people at all times; to keep myself physically strong, mentally awake, and morally straight.

Scout Law – A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.

Mission Statement of the Council – "Leading Youth to Lifelong Values, Service, and Achievement."

Vision Statement of the Council – "The Council will reach across the community to serve all ethnicities and youth age groups with a leadership and character-building program that has long-lasting impact."

The Council's programs are classified as follows:

Cub Scouting – A year-round program for boys in the first through fifth grades, or 7 to 10 years of age, uniquely designed to meet the needs of young boys and their parents. The program offers fun and challenging activities that promote character development, citizenship, and physical fitness.

Service projects, ceremonies, games, and other activities guide boys through the core values and give them a sense of personal achievement. Through positive peer group interaction and parental guidance, boys also learn honesty, responsibility, and respect.

Family involvement is an essential part of Cub Scouting, and parents are encouraged to play an active role in the program. Through interaction with parents, leaders, and friends, boys learn cooperation, compassion, and courage. This family and community-centered approach to learning means that Cub Scouting is truly time well spent.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Boy Scouting **–** A year-round program for boys who have earned the Arrow of Light Award and are at least 10 years old or have completed the fifth grade and are at least 10, or who are 11 but not yet 18 years old, designed to develop character, citizenship, and fitness. Through the advancement program and peer group leadership, Scouting helps a boy develop into a well-rounded young man. The Eagle Scout Award, the highest rank in Scouting, is recognized around the world as a mark of excellence.

Venturing **–** A year-round youth development program for young men and women 14 years of age (and in the 9th grade) through 20 years old. Venturing provides positive experiences to help young people mature and become responsible and caring adults. The program offers fun and challenging activities that promote character development, citizenship, and physical fitness.

Learning for Life **–** Seven programs designed to support schools and community-based organizations in their efforts to prepare youth to successfully handle the complexities of contemporary society and to enhance their self-confidence, motivation, and self-esteem. The seven programs focus on character education and career education. Learning for Life programs help co-ed youth develop social and life skills, assist in character development, and help youth formulate positive personal values. It prepares youth to make ethical decisions that will help them achieve their full potential.

Adults involved in Learning for Life are selected by the organization in which they work (i.e., schools, local businesses, community organizations, etc.). Race, religion, gender, sexual orientation, ethnic background, economic status and citizenship are not criteria for participation in Learning for Life.

At a time when drugs and gangs are ravaging many of our schools and communities, Learning for Life programs can be a catalyst to help stop this trend. The program uses age-appropriate, grade-specific lesson plans to give youth skills and information that will help them cope with the complexities of today’s society.

Learning for Life makes academic learning fun and relevant to real-life situations in age-appropriate and grade-specific material. As a result, the positive character traits and skills learned by participation in Learning for Life not only make students more confident and capable, but also give them an invaluable understanding of how things work in the real world.

Exploring **–** A career education program for young men and women who are 14 (and have completed the eighth grade) or 15 through 20 years old. Adults are selected by the participating organization for involvement in the program. Color, race, religion, gender, sexual orientation, ethnic background, economic status, and citizenship are not criteria for participation.

Exploring’s purpose is to provide experiences to help young people mature and to prepare them to become responsible and caring adults. Explorers are ready to investigate the meaning of interdependence in their personal relationships and communities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploring is based on a unique and dynamic relationship between youth and the organizations in their communities. Local community organizations initiate an Explorer post by matching their people and program resources to the interests of young people in the community. The result is a program of activities that helps youth pursue their special interests, grow, and develop.

Explorer posts can specialize in a variety of career skills. Exploring programs are based on five areas of emphasis: career opportunities, life skills, citizenship, character education, and leadership experience.

The Council's website address is www.samhoustonbsa.org.

Principles of Consolidation

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

Prior-Period Information

The consolidated statement of functional expenses includes certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. Also, the Organization prepares its consolidated financial statements in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to the following three classes of net assets:

- **Unrestricted Net Assets -** Net assets that are not subject to donor-imposed stipulations and may be expended at the discretion of the board of directors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Temporarily Restricted Net Assets -** Net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event and may include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.
- **Permanently Restricted Net Assets -** Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed stipulations.

Fund Accounting

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

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Accounts Receivable

Accounts receivable are recorded primarily for product sales and are stated at net realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. Receivable balances are charged off against the allowance for doubtful accounts when they are considered uncollectible by management. No allowance for doubtful accounts was considered necessary as of December 31, 2017 and 2016.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist primarily of assets invested in mutual funds, debt and equity securities, a limited partnership, and money market and savings accounts. The Organization accounts for investments in accordance with the FASB standard for investments held by not-for-profit entities. This standard requires that investments be measured at fair value in the consolidated statements of financial position. See Note 3 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date. The realized and unrealized gain or loss on investments is reflected in the consolidated statements of activities and changes in net assets. Investment income or loss restricted by a donor is reported as increases or decreases in unrestricted net assets if the restrictions are met in the reporting period in which the income or loss is recognized.

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.

Investment and Spending Policies

The Organization's investment policy intends for the Organization 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. The Organization expects its Endowment Fund, over time, to provide a reasonable rate of return. To satisfy this objective, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on mutual funds and debt and equity securities to achieve its long-term return objectives within prudent risk constraints.

The spending policy of the Organization defines the total funds available from the Endowment Fund in a given year (the distributable income) as up to 5% of the Endowment Fund's average market value over the preceding three years. The Endowment Fund strives to have returns greater than the proposed distribution plus costs that are appropriate and reasonable in relation to the assets, the purposes of the Organization, and the skills available to the Organization. These costs, which are netted out from the market value of the Endowment Fund prior to calculation of a distribution, are related to the audit, investment managers, and the Organization's human resources responsible for the management and growth of the investment fund. If the market value of the Endowment Fund falls to or below the amount of the Endowment Fund's donor-restricted gifts, then the spending policy may be amended in accordance with the guidelines found in the Texas Uniform Prudent Management of Institutional Funds Act ("TXUPMIFA") and may not exceed the actual earnings of the Endowment Fund. The executive committee may amend this spending policy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property

Property acquired prior to January 1, 1973 is stated at appraised values as established by officials of the Organization at that time. Property purchased subsequent to January 1, 1973 is recorded at cost. Donated property is recorded at the approximate fair market value of the asset on the date of donation. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently. Proceeds from property disposals are unrestricted, unless restricted by the donor. Property is depreciated using the straight-line method over the estimated useful lives of the assets. 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.

Property held for sale is separately classified in the consolidated statements of financial position and recorded at the lower of its net carrying value or its fair value net of costs to sell.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long-lived assets during 2017 and 2016.

Contributions

Contributions receivable are recognized upon notification of a donor's unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value. An allowance for uncollectible contributions receivable is recorded based on an analysis of collection histories and on reviews of the creditworthiness of major donors. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Other Reclassifications of Net Assets

Donor restrictions imposed on otherwise unrestricted net assets are reclassified from unrestricted net assets to either temporarily restricted or permanently restricted net assets based on donor intent. These reclassifications are reported as other reclassifications of net assets in the consolidated statements of activities and changes in net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated property, investments, and other noncash donations are recorded as contributions at their fair value at their date of donation. The Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

Custodial Accounts

Custodial accounts primarily consist of registration and Boy's Life fees due to the National Council of the Boy Scouts of America (the "National Council"). These fees are received by the Organization, from the individual units, to be remitted to the National Council. Accordingly, a liability is presented in the consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services. In accordance with the policy of the National Council, the payment of the charter and national service fees to the National Council are not allocated as functional expenses.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising expense for 2017 and 2016 amounted to approximately $100,000 and $124,000, respectively, and are included in other expenses in the consolidated statement of functional expenses.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization is classified as a public charity and currently has no unrelated business income. The Organization is also exempt from state income tax. Accordingly, no provision for income taxes has been recorded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the consolidated financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits. With few exceptions, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the ASC. ASU 2014-09, as further amended by ASU 2015-14, is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10) – *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 makes the following changes to existing U.S. GAAP for entities that are not public business entities:

- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to determine impairment.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (that is, securities or loans and receivables) on the consolidated statements of financial position or the accompanying notes to the consolidated financial statements.

ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a twelve-month term, a right-of-use asset, and a lease obligation will be recognized on the statement of financial position of the lessee while the statement of activities and changes in net assets will reflect lease expense for operating leases and amortization/ interest expense for financing leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958). ASU 2016-14 changes the presentation of the financial statements and adds disclosure requirements for substantially all not-for-profit entities. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017, and for interim periods beginning after December 15, 2018, with early adoption permitted.

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management is currently evaluating the impact these ASUs will have on the Organization's consolidated financial statements.

NOTE 2 - INVESTMENTS

Investments at December 31, 2017 and 2016 are comprised of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Limited partnership - Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 563,614	$ 734,316	$ 714,893	$ 943,687
Mutual funds	40,558,517	41,041,141	43,837,767	44,338,643
Debt securities	27,393,566	26,918,882	26,136,170	25,594,250
Equity securities	17,850,918	21,541,210	19,137,232	20,346,400
Money market and savings accounts	5,082,709	5,082,709	3,195,547	3,195,547
	$91,449,324	$95,318,258	$93,021,609	$94,418,527

The following schedule summarizes the investment return in the consolidated statements of activities and changes in net assets for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividend income	$ 1,587,797	$ 1,172,398
Net realized and unrealized gains	3,772,669	1,679,643
	$ 5,360,466	$ 2,852,041

The above investment return is classified in the 2017 and 2016 consolidated statements of activities and changes in net assets as unrestricted.

Income from interest and dividends on investments and realized and unrealized gains and losses on investments ("Investment Income, Gains, and Losses") are mostly recognized and initially recorded in the Endowment Fund. Distributions of Investment Income, Gains, and Losses from the Endowment Fund are recorded as income by the Operating and Capital Funds in the period in which the distributions are made in accordance with the Organization's spending policy (Note 1) and included in the spending policy allocation presented on the consolidated statements of activities and changes in net assets. For 2017 and 2016, investment expenses were $227,965 and $332,299, respectively, and are netted against investment income in the consolidated statements of activities and changes in net assets.

NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS

U.S. GAAP clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

Various inputs are used in determining the fair value of the Organization's assets and liabilities. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of assets and liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

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

Debt and equity securities - Valued at the closing market price on the New York Stock Exchange or an active secondary market.

Mutual funds - Valued at net asset value ("NAV") of shares held by the Organization at year-end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Money market and savings accounts - Comprised of funds invested in savings accounts at various financial institutions and money market mutual funds. Funds invested in savings accounts are reported at the value of deposited funds and net investment earnings less withdrawals and fees. The money market mutual funds consist primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations, and other securities of foreign issuers. The funds seek to maintain a stable NAV of $1.

Level 2 - Inputs to the methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and 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 inputs (i.e., projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP ("NB Fund") - Investments held by the NB Fund are in private equity investments and valued at fair value based on the best information available. Securities listed on a securities exchange are valued at the closing price less a discount to reflect legal restrictions associated with the securities, if any. Private interests are valued based on a methodology that begins with the most recent information available from the general partner of the underlying

SAM HOUSTON AREA COUNCIL BOY SCOUTS OF AMERICA AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 and 2016

NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other reliable information that reports or indicates valuation changes, including realizations and other portfolio company events. The NB Fund's private equity investments are diversified in large-cap buyout, mid-cap buyout, special situations, and venture capital. The NB Fund is valued at the Organization's ownership percentage in the NB Fund's underlying net assets. Redemptions are not permitted during the life of the NB Fund. The return of capital and the realization of gains on investments, if any, will generally occur only upon the partial or complete disposition of an investment by the NB Fund, which is not within the control of the fund's general partner or advisor. The liquidation period of the NB Fund is unknown.

Beneficial interest in split-interest agreements - Contributions receivable from the Organization's beneficial interest in split-interest agreements is based on the fair value of the assets held in the trust, as reported by the trustee, multiplied by the Organization's percentage of trust assets to be received from the trust and a present value discount factor based on beneficiary life expectancies and a stated rate of return in the agreement or the prime rate in effect on the receipt date of the trust. The Organization will never receive the trust assets or have the ability to direct the trustee to redeem them.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodologies used for valuing assets and liabilities are not an indication of the risk associated with those assets and liabilities. There have been no changes in the methodologies used at December 31, 2017 or 2016.

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	2017			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 734,316	$ 734,316
Mutual funds:				
Ultrashort bond	30,567,441	-	-	30,567,441
Dynamic allocation	4,721,939	-	-	4,721,939
High yield bond	4,568,844	-	-	4,568,844
Bank loan	1,182,917	-	-	1,182,917
Total mutual funds	41,041,141	-	-	41,041,141

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

	2017 (continued)			
Description	Level 1	Level 2	Level 3	Total
Debt securities:				
Corporate bonds	$12,738,918	$ -	$ -	$12,738,918
Government securities	14,179,964	-	-	14,179,964
Total debt securities	26,918,882	-	-	26,918,882
Equity securities:				
Large blend	12,093,340	-	-	12,093,340
Foreign blend	3,263,960	-	-	3,263,960
Blend broad market	1,680,446	-	-	1,680,446
Blend small cap	1,764,424	-	-	1,764,424
Healthcare	28,229	-	-	28,229
Real estate	1,801,859	-	-	1,801,859
Diversified emerging market	908,952	-	-	908,952
Total equity securities	21,541,210	-	-	21,541,210
Money market and savings accounts	5,082,709	-	-	5,082,709
Total investments	94,583,942	-	734,316	95,318,258
Beneficial interest in split-interest agreements (Note 4)	-	-	1,587,087	1,587,087
Total recurring fair value measurements	$94,583,942	$ -	$2,321,403	$96,905,345

	2016			
Description	Level 1	Level 2	Level 3	Total
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ -	$ -	$ 943,687	$ 943,687
Mutual funds:				
Ultrashort bond	34,369,890	-	-	34,369,890
Dynamic allocation	4,515,741	-	-	4,515,741
High yield bond	4,332,234	-	-	4,332,234
Bank loan	1,120,778	-	-	1,120,778
Total mutual funds	44,338,643	-	-	44,338,643
Debt securities:				
Corporate bonds	12,408,805	-	-	12,408,805
Government securities	13,185,445	-	-	13,185,445
Total debt securities	25,594,250	-	-	25,594,250

NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

	2016 (continued)			
Description	Level 1	Level 2	Level 3	Total
Equity securities:				
Large blend	$ 7,126,610	$ -	$ -	$ 7,126,610
Foreign blend	5,591,993	-	-	5,591,993
Blend broad market	2,394,543	-	-	2,394,543
Blend small cap	1,646,077	-	-	1,646,077
Healthcare	39,514	-	-	39,514
Real estate	2,623,565	-	-	2,623,565
Diversified emerging market	924,098	-	-	924,098
Total equity securities	20,346,400	-	-	20,346,400
Money market and savings accounts	3,195,547	-	-	3,195,547
Total investments	93,474,840	-	943,687	94,418,527
Beneficial interest in split-interest agreements (Note 4)	-	-	1,472,015	1,472,015
Total recurring fair value measurements	$93,474,840	$ -	$2,415,702	$95,890,542

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2017 and 2016:

	2017		
	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 943,687	$ 1,472,015	$ 2,415,702
Sales	(250,000)	-	(250,000)
Net realized and unrealized gain on investments in the consolidated statements of activities and changes in net assets	40,629	-	40,629
Change in value of split-interest agreements (Note 11)	-	115,072	115,072
Balance, end of year	$ 734,316	$ 1,587,087	$ 2,321,403

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NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

	2017 (continued)		
	Investments	Beneficial Interest In Split-Interest Agreements	Total
Total loss included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in unrealized gain (loss) on investments in the consolidated statements of activities and changes in net assets	$ (58,092)	$ -	$ (58,092)

	2016		
	Investments	Beneficial Interest In Split-Interest Agreements	Total
Balance, beginning of year	$ 1,270,731	$ 1,466,923	$ 2,737,654
Sales	(337,500)	(34,091)	(371,591)
Net realized and unrealized gains on investments in the consolidated statements of activities and changes in net assets	10,456	-	10,456
Change in value of split-interest agreements (Note 11)	-	39,183	39,183
Balance, end of year	$ 943,687	$ 1,472,015	$ 2,415,702
Total gain included in the increase (decrease) in total net assets due to the change in unrealized gain (loss) on investments that relate to assets held at the reporting date and are included in unrealized gain (loss) on investments in the consolidated statements of activities and changes in net assets	$ 198,515	$ -	$ 198,515

NOTE 3 - SUMMARY OF FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the Organization's Level 3 assets, the valuation techniques used to measure the fair value of those assets, the significant unobservable inputs, and the ranges of values for those inputs.

	2017			
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Split-Interest Agreements	$ 1,587,087	Present value of future payments	Life expectancies Discount rates	Various 3.4%-6%
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 734,316	Fair value of underlying assets	Closing prices, pricing models, discounted cash flows	Unknown

	2016			
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Split-Interest Agreements	$ 1,472,015	Present value of future payments	Life expectancies Discount rates	Various 3.4%-6%
Neuberger Berman Crossroads Fund XVIII - Asset Allocation, LP	$ 943,687	Fair value of underlying assets	Closing prices, pricing models, discounted cash flows	Unknown

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. The Organization's board of directors assesses and approves these policies and procedures. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The fair values of cash, accounts receivable, and accounts payable approximate their respective carrying values due to the short-term nature of these accounts.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2017 and 2016 consist of the following:

	2017	2016
United Way	$ 320,350	$ 347,087
Friends of Scouting	114,246	385,878
Beneficial interest in split-interest agreements	1,587,087	1,472,015
Foundations	10,265	34,500
Other unrestricted promises	154,529	367,773
Restricted to capital campaign	2,240,553	1,469,014
Restricted to Endowment Fund	4,564,487	2,575,252
Less: Discount for timing of cash flows	(2,499,240)	(667,738)
Subtotal	6,492,277	5,983,781
Less: Allowance for uncollectible contributions receivable	(8,685)	(37,499)
	$ 6,483,592	$5,946,282
Contributions receivable, due in:		
Less than one year	$ 3,214,684	$4,303,451
One to five years	3,268,908	1,642,831
	$ 6,483,592	$5,946,282

The discount for timing of cash flows is computed using the risk-free interest rate applicable to the year in which the contribution is received or the Internal Revenue Service's actuarial mortality table, Table R(2). Risk-free interest rates range from 3.25% to 7.25% and Table R(2) rates range from 0.59 to 0.29.

Allocations from United Way of Greater Houston for $299,962 and $306,083 (designated for general operating purposes for the first three months of 2018 and 2017, respectively) have been recorded in the consolidated financial statements since the amounts were pledged in 2017 and 2016, respectively. The Organization has been notified of an additional allocation from United Way of Greater Houston in 2018 for approximately $876,000. The revenue from the additional allocation will be recorded in 2018 when the firm commitment is received.

NOTE 5 - PROPERTY

Property at December 31, 2017 and 2016 consists of the following:

	Useful Lives	2017	2016
Land		$13,978,570	$13,978,570
Building, structures, and land improvements	5 - 50 years	22,550,786	22,529,449
Furniture, fixtures, and equipment	2 - 30 years	5,069,060	6,069,689
Construction in progress		12,298,339	4,801,036
		53,896,755	47,378,744
Less: Accumulated depreciation		14,744,201	14,728,482
		$39,152,554	$32,650,262

Land in the amount of approximately $8 million is restricted for use as a camp at December 31, 2017 and 2016. The Organization may sell all or any portion of the land as it deems necessary; however, the sale proceeds must be applied either to acquire replacement property that will be used for the same purpose or for other purposes specifically permitted by the agreement with the donor.

NOTE 6 - PROPERTY HELD FOR SALE

During 2016, the Organization initiated plans to sell the Hamman Scout Ranch (“Hamman”) and El Rancho Cima Scout Ranch (“Cima”). The decision to sell the camps was based on the financial performance of the camps and significant expenditures required to repair the flooding damages incurred at the camps. In January 2017, the Hamman camp sold for approximately $3 million with a realized gain of approximately $1.5 million. The sale of the Cima property is expected to occur in 2018 for a sales price in excess of net carrying value.

Property held for sale at December 31, 2017 and 2016 consists of the following:

	2017	2016
Land	$3,195,000	$4,450,000
Building, structures, and land improvements	4,364,207	4,539,039
Furniture, fixtures, and equipment	404,908	464,144
	7,964,115	9,453,183
Less: Accumulated depreciation	2,968,648	3,160,450
	$4,995,467	$6,292,733

NOTE 7 - LINE OF CREDIT

The Organization had a $1.2 million line of credit agreement with a bank that matured in September 2017. Interest was payable quarterly at prime plus 0.5%. Principal was due at maturity. Upon maturity in September 2017, the line of credit was not renewed. At December 31, 2016, there was no outstanding balance on the line.

NOTE 8 - NET ASSETS AND RESTRICTIONS

Substantially all of the restrictions on net assets at the end of 2017 and 2016 are related to funds raised through ongoing capital and endowment campaigns to help prepare the Organization for future Scouting needs, charitable trusts of which the Organization is a beneficiary, and United Way funding for the next year.

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

	2017	2016
Camp facilities	$44,547,934	$50,893,908
Capital campaign	5,991,944	3,007,857
United Way	320,350	348,178
Split-interest agreements (Notes 4 and 11)	1,481,740	1,375,451
General operations	755,765	1,606,560
	$53,097,733	$57,231,954

Permanently restricted net assets consist of the following at December 31, 2017 and 2016:

	2017	2016
Permanently restricted endowment gifts required to be retained either by explicit donor stipulations or by TXUPMIFA:		
General endowments	$33,939,700	$32,596,072
Split-interest agreements (Notes 4 and 11)	105,347	96,564
Cash surrender value of life insurance	212,591	186,466
	$34,257,638	$32,879,102

NOTE 9 - RECLASSIFICATIONS OF NET ASSETS

Net assets were released from donor restrictions during 2017 and 2016 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released were related to the following:

	2017	2016
Friends of Scouting	$ 514,972	$ 562,522
Capital campaign	7,590,598	3,230,308
Special events	210,705	338,700
Foundations and trusts	77,000	90,672
Other direct support	649,231	4,501
United Way	348,176	368,340
Legacies and bequests	10,000	-
	$9,400,682	$4,595,043

Other reclassifications of net assets, resulting from donor restrictions imposed on otherwise unrestricted net assets, were as follows in 2017 and 2016:

	2017	2016
Investment income	$1,111,378	$773,290

The proceeds from the sale of certain property in a prior year are purpose-restricted as $34,000,000 in the Endowment Fund and $28,445,669 in the Capital Fund. In 2014, the agreement with the donor of funds used to acquire the original property was amended to allow the release of approximately $16,063,000 of temporarily restricted net assets to board-designated unrestricted net assets in the Endowment Fund. It was further amended to create a new account in the Capital Fund (“Capital Account”) for future use of depreciation and improvements, including long-term major maintenance projects, purchase and replacement of major equipment and vehicles, future permanent improvements, and future additional land acquisitions for expansion of the current acreage. The Capital Account is required to be funded, annually, with at least $200,000 of the Organization’s spending policy distributable amount from the donor’s related account in the Endowment Fund. In 2017 and 2016, the Organization funded the Capital Account with $1,111,378 and $773,290, respectively, and accordingly, reclassified the funds as temporarily restricted net assets.

NOTE 10 - ENDOWMENT FUND

The purpose of the Organization’s Endowment Fund, also called the Investment Fund, is to assist in the financial requirements of the Organization in its delivery of a quality Scout program, in its service to its chartering partners, and in its long-term financial sustainability. The Endowment Fund of the Organization is made up of unrestricted net assets, temporarily restricted net assets, and permanently

NOTE 10 - ENDOWMENT FUND (CONTINUED)

restricted net assets, including several individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted net assets, identified by the Organization's board of directors to be used for future investment and growth, are included in unrestricted net assets – board-designated.

The Organization has interpreted TXUPMIFA as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 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 Organization in a manner consistent with the standard of prudence prescribed by TXUPMIFA. In accordance with TXUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund.
(2) The purposes of the Organization and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources of the Organization.
(7) The investment policies of the Organization.

Changes in the Endowment Fund net assets (deficit) for the years ended December 31, 2017 and 2016 are as follows:

	Unrestricted - Non-Board Designated	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund net assets (deficit), December 31, 2015	$(2,971,940)	$19,968,820	$26,759,305	$31,162,773	$74,918,958
Investment return:					
Investment income	844,476	145,529	-	-	990,005
Net appreciation (realized and unrealized)	1,514,611	163,546	-	-	1,678,157
Total investment return	2,359,087	309,075	-	-	2,668,162

NOTE 10 - ENDOWMENT FUND (CONTINUED)

	Unrestricted - Non-Board Designated	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total
Contributions	$ -	$ 16,156	$ 35,396	$ 1,716,329	$ 1,767,881
Transfers in	-	134,690	-	-	134,690
Appropriation of Endowment Fund assets for expenditure	(2,426,430)	(770,397)	-	-	(3,196,827)
Endowment Fund net assets (deficit), December 31, 2016	(3,039,283)	19,658,344	26,794,701	32,879,102	76,292,864
Investment return:					
Investment income	1,104,555	260,237	-	-	1,364,792
Net appreciation (realized and unrealized)	3,532,022	249,947	-	-	3,781,969
Total investment return	4,636,577	510,184	-	-	5,146,761
Contributions	-	18,725	105,135	1,378,536	1,502,396
Transfers in	-	154,270	-	-	154,270
Appropriation of Endowment Fund assets for expenditure	(2,345,923)	(947,378)	-	-	(3,293,301)
Endowment Fund net assets (deficit), December 31, 2017	$ (748,629)	$19,394,145	$26,899,836	$34,257,638	$79,802,990

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or TXUPMIFA requires the Organization to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations and are included in unrestricted net assets. At December 31, 2017 and 2016, total deficiencies are $748,629 and $3,039,283, respectively.

NOTE 11 - SPLIT-INTEREST AGREEMENTS

A split-interest agreement is an agreement in which a donor contributes assets directly to the Organization or places them in a trust for the benefit of the Organization and the Organization is not the sole beneficiary of the assets' economic value. The contributed assets are held, invested, and administered by the Organization or a trustee who is responsible for making the required distributions to the beneficiaries. Upon expiration of the agreements, the remaining assets will be distributed to or retained by the Organization.

A donor established a trust with a bank naming the Organization as a partial recipient of a charitable remainder unitrust. Under terms of this split-interest agreement, the Organization will receive 50% of the trust's assets upon the death of the donor into its permanently restricted endowment fund. Based on the donor's life expectancy and a 6% rate of return, the present value of the future benefits expected to be received by the Organization is estimated to be approximately $105,000 and $97,000 at December 31, 2017 and 2016, respectively.

The Organization is the recipient of three separate charitable remainder trusts at December 31, 2017 and 2016. Under terms of the split-interest agreements, the Organization is to receive a percentage of the trusts' assets upon the death of a beneficiary, as defined in the agreements. Until receipt of the assets from the trusts, the Organization reports the trusts' assets in the Operating or Endowment Fund's temporarily restricted net assets as determined by the Organization's unsolicited, unrestricted gifts policy. Upon receipt of the assets from the trusts, the trusts' assets will be released to unrestricted net assets in the applicable fund. Based on the life expectancies of the beneficiaries and the stated rate of return in the agreements or the prime rate in effect on the receipt date of the trust, the present value of the future benefits expected to be received by the Organization from the trusts, combined, was estimated to be approximately $1,482,000 and $1,375,000 at December 31, 2017 and 2016, respectively.

In 2017 and 2016, the Organization recorded changes in the value of the split-interest agreements amounting to approximately $115,000 and 39,000, respectively.

NOTE 12 - CONDITIONAL CONTRIBUTIONS

The Organization has had a matching endowment program with a donor. The purpose of the endowment program is to create awareness of endowment, encourage others to invest in the future of the Organization, and support community-level involvement in the annual endowment campaign of the Organization. The donor that established the endowment program matched third-party contributions, in $500 increments, ranging from $500 to $25,000 to be maintained in the endowment. The endowment program was awarded on an annual basis, and the income of the endowment program was to be used for the general support of the Organization. In 2016, donor matches totaled approximately $353,000. There were no donor matches received under the endowment program in 2017.

Through April 2016, the Organization had a $5,000,000 matching grant with a donor, contingent upon meeting certain restrictions. The grant was to be paid over five years, and income from the grant was to be used by the Organization, as agreed upon with the donor. The purpose of the grant was to maximize board giving, in which the donor would match the first $250,000 of all gifts from members of

NOTE 12 - CONDITIONAL CONTRIBUTIONS (CONTINUED)

the Organization's board of directors. In April 2016, the donor changed the terms of the grant as a result of board-approved changes to the scope of the Organization's Leaders of Tomorrow campaign. The terms of the revised grant no longer retain a matching requirement and provide that the remaining unfunded portion of the grant ($3,000,000) will be restricted to expanding the Organization's staff to grow Scouting. In 2017 and 2016, the Organization received $500,000 and $1,000,000 from the donor, of which approximately $639,000 and $780,000 remain temporarily restricted at December 31, 2017 and 2016, respectively.

In October 2016, a donor awarded a $1 million challenge grant for a construction project to construct certain facilities at Camp Strake. In accordance with the grant terms, the Organization is required to raise approximately $4.2 million, restricted for the construction project, from third-party sources by October 2017. In December 2017, the Organization received $1 million from the challenge grant, which remains temporarily restricted at December 31, 2017. There were no challenge grant funds received in 2016.

NOTE 13 - ENDOWED FUND AGREEMENT

The Organization has an endowed fund agreement with a grantor that provides for the establishment of a permanent endowment fund as well as the payment of annual non-endowment grants.

Endowment Fund

In accordance with the agreement, the Organization has established an endowment fund to be permanently held and managed for the long-term use and benefit of a Boy Scout camp, as defined in the agreement (the "Camp"). The fund consists of the grantor's annual grants and unexpended income.

In furtherance of the grantor's mission to support the Boy Scouts, and for as long as the agreement remains in effect, the grantor intends to make annual grants to the endowment fund equal to 25% of the annual qualifying distributions made by the grantor within the meaning of Section 4942 of the Internal Revenue Code and as reported in its annual Form 990 ("Annual Qualifying Distributions").

Non-Endowment Grants

In addition to the endowment grants mentioned above, the grantor intends to make annual non-endowment grants to the Organization equal to 12.5% of the grantor's Annual Qualifying Distributions. Such grants shall be used by the Organization to support the Camp or other projects that further the ideas and goals of the grantor and the Organization, as approved in advance on an annual basis by the board of directors of the grantor.

For 2017 and 2016, the Organization received endowment and non-endowment grants under the above agreement totaling approximately $762,000 and $654,000, respectively.

NOTE 14 - EMPLOYEE BENEFIT PLANS

Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Organization. The Plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees* and covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contributed 2% of compensation, and the Organization contributed an additional 7% in both 2017 and 2016 to the Plan. Pension expense (excluding the contributions made by employees) was $308,337 and $295,446 in 2017 and 2016, respectively, and covered current service cost.

The Plan is a multi-employer plan, and the individual information for each employer is not available. The actuarial information for the multi-employer plan as of February 1, 2017 indicates that it is in compliance with the Employee Retirement Income Security Act regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits at both December 31, 2017 and 2016 was 7.00%. The actuarial value includes all Plan amendments as of February 1, 2017.

Thrift Plan

The Organization has established a thrift plan covering substantially all of the employees of the Organization. Participants in the thrift plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code. The Organization has elected to match employee contributions to the thrift plan up to 50% of contributions from each participant, limited to 3% of each employee's gross pay. The Organization contributed approximately $99,000 and $100,000 to the thrift plan in 2017 and 2016, respectively.

Health Care Plan

The Organization's employees participate in a health care plan provided by the National Council. The Organization pays a portion of the cost for the employees and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the years ended December 31, 2017 and 2016, the Organization remitted approximately $713,000 and $717,000, respectively, on behalf of its employees to the National Council related to the health care plan.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions. At times, the balances in cash accounts may be in excess of federally insured limits. Management continuously monitors the Organization's balances at financial institutions and invests excess operating cash in short-term investments.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Claims

The Organization is involved in various legal matters arising in the normal course of operations. The Organization does not believe that the ultimate resolution of these matters will have a significant effect on its consolidated financial position.

Operating Leases

The Organization accounts for the lease of office equipment and Scout shops as operating leases. Total rent expense amounted to approximately $320,000 and $304,000 for 2017 and 2016, respectively. These leases will expire on various dates through 2021. As of December 31, 2017, the minimum required future lease payments under these leases are as follows:

For the Year Ending December 31:	
2018	$166,700
2019	128,200
2020	29,043
2021	7,425
	$331,368

NOTE 16 - SCOUT SHOPS

The National Council operates five Scout shops within the Houston area. The National Council manages the Scout shops and pays the Organization an 8% commission on gross sales up to $750,000 and 13% on sales in excess of $750,000. The commissions earned (before expenses) by the Organization during 2017 and 2016 amounted to approximately $449,000 and $463,000, respectively, which are included in other revenue in the consolidated statements of activities and changes in net assets.

NOTE 17 - RELATED PARTY TRANSACTIONS

Some board of director members are officers at financial institutions where the Organization maintains investment and cash account balances. As of December 31, 2017 and 2016, total Organization deposits with the financial institutions were approximately $22,159,000 and $25,725,000, respectively.

NOTE 18 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 7, 2018, the date the consolidated financial statements were available to be issued.