

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

FINANCIAL STATEMENTS

SIX MONTHS ENDED
DECEMBER 31, 2015

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Los Angeles Area Council, Boy Scouts of America

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Los Angeles Area Council, Boy Scouts of America (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of changes in net assets, functional expenses and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Greater Los Angeles Area Council, Boy Scouts of America as of December 31, 2015, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

June 21, 2016
Los Angeles, California

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FINANCIAL POSITION
December 31, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 446,565	\$ 136,894	\$ 6,418	\$ 589,877
Accounts Receivable	44,696	-	-	44,696
Pledges Receivable (Net)	66,850	-	3,825	70,675
Prepaid Expenses	146,974	-	-	146,974
Total Current Assets	705,085	136,894	10,243	852,222
Non-Current Assets:				
Pledges Receivable	10,000	-	-	10,000
Long-Term Investments	-	-	15,189,863	15,189,863
Gift Annuities Receivable	-	-	43,607	43,607
Beneficial Interest in Charitable Remainder Trust	-	-	38,074	38,074
Beneficial Interest in Perpetual Trusts	-	-	2,066,812	2,066,812
Property and Equipment (Net)	-	34,527,214	-	34,527,214
Donated Land Held for Sale	-	202,500	-	202,500
Total Non-Current Assets	10,000	34,729,714	17,338,356	52,078,070
Total Assets	\$ 715,085	\$ 34,866,608	\$ 17,348,599	\$ 52,930,292
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 196,654	\$ 3,733	\$ -	\$ 200,387
Accrued Expenses	314,981	22,470	-	337,451
Custodial Accounts	678,942	-	-	678,942
Deferred Income	131,994	-	-	131,994
Notes Payable	-	280,000	-	280,000
Total Current Liabilities	1,322,571	306,203	-	1,628,774
Non-Current Liabilities:				
Obligation Under Interest Rate Swap Contract	-	2,221,914	-	2,221,914
Notes Payable	-	9,520,000	-	9,520,000
Liability Under Charitable Remainder Trust	-	-	14,969	14,969
Total Liabilities	1,322,571	12,048,117	14,969	13,385,657
Net Assets (Deficit):				
Unrestricted	(683,606)	22,618,491	9,476,287	31,411,172
Temporarily Restricted	76,120	200,000	66,712	342,832
Permanently Restricted	-	-	7,790,631	7,790,631
Total Net Assets (Deficit)	(607,486)	22,818,491	17,333,630	39,544,635
Total Liabilities and Net Assets	\$ 715,085	\$ 34,866,608	\$ 17,348,599	\$ 52,930,292

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Changes in Unrestricted Net Assets				
Public Support and Revenue				
Direct Support				
Friends of Scouting	\$ 304,539	\$ -	\$ -	\$ 304,539
Capital Campaign	-	9,863	-	9,863
Special Fundraising Events - Gross	113,925	-	-	113,925
Less: Cost of Direct Benefits to Participants	(44,050)	-	-	(44,050)
Special Fundraising Events - Net	69,875	-	-	69,875
Foundations and Trusts	31,790	-	-	31,790
Donated Services and Rent	275,180	-	-	275,180
Legacies and Bequests	2,975	-	-	2,975
Other Direct Support	38,657	-	-	38,657
Contribution Received on Merger with San Gabriel Valley Council	(918,080)	7,120,319	1,582,196	7,784,435
Total Direct Support	(195,064)	7,130,182	1,582,196	8,517,314
Other Revenue, Gains and (Losses)				
Product Sales - Net	196,868	-	-	196,868
Investment Income (Loss) (Net)	583,259	-	(1,139,176)	(555,917)
Camping Revenue	2,108,208	-	-	2,108,208
Activity Revenue	143,802	-	-	143,802
Other Revenue	337,947	-	-	337,947
Rental Income	6,159	-	-	6,159
Loss on Obligation Under Interest Rate Swap	-	(234,258)	-	(234,258)
Total Other Revenue, Gains and (Losses)	3,376,243	(234,258)	(1,139,176)	2,002,809
Net Assets Released from Restrictions				
Reclassification of Gift Annuities Receivable	-	-	(32,153)	(32,153)
Release from Endowment	-	-	(242,533)	(242,533)
Release from Purpose Restrictions	96,103	-	-	96,103
Total Releases of Net Assets	96,103	-	(274,686)	(178,583)
Total Public Support and Revenue	\$ 3,277,282	\$ 6,895,924	\$ 168,334	\$ 10,341,540

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CHANGES IN NET ASSETS (continued)
For the Six Months Ended December 31, 2015

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total Funds</u>
Expenses				
Program Services	\$ 4,370,424	\$ 888,995	\$ -	\$ 5,259,419
Support Services:				
Management and General	270,280	141,851	1,267	413,398
Fundraising	369,031	27,689	-	396,720
Total Support Services	<u>639,311</u>	<u>169,540</u>	<u>1,267</u>	<u>810,118</u>
Total Functional Expenses	5,009,735	1,058,535	1,267	6,069,537
Charter and National Service Fees	<u>57,863</u>	-	-	<u>57,863</u>
Total Expenses	<u>5,067,598</u>	<u>1,058,535</u>	<u>1,267</u>	<u>6,127,400</u>
Change in Unrestricted Net Assets	<u>\$ (1,790,316)</u>	<u>\$ 5,837,389</u>	<u>\$ 167,067</u>	<u>\$ 4,214,140</u>

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CHANGES IN NET ASSETS (continued)
For the Six Months Ended December 31, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Change in Temporarily Restricted Net Assets				
Direct Support				
Investment Income (Loss)	\$ -	\$ -	\$ (242,533)	\$ (242,533)
Foundations, Trusts, and Memorials	99,363	-	-	99,363
Contribution Received on Merger with San Gabriel Valley Council	5,645	200,000	22,926	228,571
Other Income				
Change in Value of Gift Annuities Receivable	-	-	11,454	11,454
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	-	179	179
Net Assets Released From Restrictions				
Reclassification of Gift Annuities Receivable	-	-	32,153	32,153
Release from Endowment	-	-	242,533	242,533
Release from Purpose Restrictions	(96,103)	-	-	(96,103)
Change in Temporarily Restricted Net Assets	8,905	200,000	66,712	275,617
Change in Permanently Restricted Net Assets				
Direct Support				
Other Direct Support	-	-	24,504	24,504
Contribution Received on Merger with San Gabriel Valley Council	-	-	3,026,269	3,026,269
Other Losses				
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	(133,134)	(133,134)
Change in Permanently Restricted Net Assets	-	-	2,917,639	2,917,639
Change in Net Assets	(1,781,411)	6,037,389	3,151,418	7,407,396
Net Assets (Deficit), Beginning of Year				
Unrestricted	(430,339)	16,090,047	11,537,324	27,197,032
Temporarily Restricted	67,215	-	-	67,215
Permanently Restricted	-	-	4,872,992	4,872,992
Total Net Assets (Deficit), Beginning of Year	(363,124)	16,090,047	16,410,316	32,137,239
Transfers	1,537,049	691,055	(2,228,104)	-
Net Assets (Deficit), End of Year				
Unrestricted	(683,606)	22,618,491	9,476,287	31,411,172
Temporarily Restricted	76,120	200,000	66,712	342,832
Permanently Restricted	-	-	7,790,631	7,790,631
Total Net Assets (Deficit), End of Year	\$ (607,486)	\$ 22,818,491	\$ 17,333,630	\$ 39,544,635

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
For the Six Months Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,690,739	\$ 118,313	\$ 176,638	\$ 1,985,690
Employee Benefits	268,009	22,334	28,715	319,058
Payroll Taxes and Worker's Compensation Insurance	194,721	16,109	20,711	231,541
Total Employee Compensation	2,153,469	156,756	226,064	2,536,289
Other Expenses				
Occupancy and Utilities	707,143	7,355	10,055	724,553
Supplies	627,841	2,549	10,521	640,911
Professional Fees	227,635	66,880	44,124	338,639
Interest Expense	228,406	19,034	24,472	271,912
Travel and Living	218,872	7,063	14,341	240,276
Other Expenses	18,341	121,815	27,854	168,010
Insurance	130,551	8,422	10,828	149,801
Rental and Maintenance of Equipment	67,170	7,848	5,129	80,147
Telephone and Communications	60,905	2,335	4,622	67,862
Postage and Shipping	53,624	750	2,493	56,867
Specific Assistance to Individuals	52,313	-	-	52,313
Conferences and Meetings	35,054	9,840	3,147	48,041
Recognition Awards	15,747	166	5,632	21,545
Publication and Media Services	1,759	83	4,221	6,063
Total Other Expenses	2,445,361	254,140	167,439	2,866,940
Expenses Before Depreciation	4,598,830	410,896	393,503	5,403,229
Depreciation of Building/Equipment	660,589	2,502	3,217	666,308
Total Functional Expenses	\$ 5,259,419	\$ 413,398	\$ 396,720	\$ 6,069,537
Functional Expense Percentage	87%	7%	6%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CASH FLOWS
For the Six Months Ended December 31, 2015

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total Funds</u>
Cash Flows From Operating Activities:				
Change in Net Assets	\$ (1,781,411)	\$ 6,037,389	\$ 3,151,418	\$ 7,407,396
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Non-Cash Contribution Received on Merger with San Gabriel Valley Council	1,745,480	(7,320,319)	(4,600,433)	(10,175,272)
Transfers	1,537,049	691,055	(2,228,104)	-
Depreciation	-	666,308	-	666,308
Reinvested Interest and Dividends	-	-	(93,445)	(93,445)
Net Realized and Unrealized Losses on Investments	-	-	891,895	891,895
Increase in Obligation Under Interest Rate Swap Contract	-	234,258	-	234,258
Contributions Restricted for Long-Term Purposes	-	-	(24,504)	(24,504)
Loss on Uncollectible Pledges Receivable	23,778	122,425	1,267	147,470
Change in Value of Gift Annuities Receivable	-	-	(11,454)	(11,454)
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	-	(179)	(179)
Change in Value of Beneficial Interest in Perpetual Trusts	-	-	133,134	133,134
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	11,932	-	-	11,932
(Increase) Decrease in Pledges Receivable	144,492	(9,864)	(5,092)	129,536
(Increase) Decrease in Prepaid Expenses	178,257	-	-	178,257
Increase (Decrease) in Book Overdraft	(148,080)	-	-	(148,080)
Increase (Decrease) in Accounts Payable	18,103	3,733	-	21,836
Increase (Decrease) in Accrued Expenses	127,103	7,176	-	134,279
Increase (Decrease) in Custodial Accounts	405,677	-	-	405,677
Increase (Decrease) in Deferred Income	(1,215,582)	-	-	(1,215,582)
Net Cash Provided by (Used in) Operating Activities	<u>1,046,798</u>	<u>432,161</u>	<u>(2,785,497)</u>	<u>(1,306,538)</u>
Cash Flows from Investing Activities:				
Purchase of Property and Equipment	-	(25,267)	-	(25,267)
Sale of Investments	-	-	7,871,380	7,871,380
Purchase of Investments	-	-	(5,103,969)	(5,103,969)
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(25,267)</u>	<u>2,767,411</u>	<u>2,742,144</u>
Cash Flows from Financing Activities:				
Contributions Restricted for Long-Term Purposes	-	-	24,504	24,504
Payments on Line of Credit	(697,279)	-	-	(697,279)
Payments on Notes Payable	-	(270,000)	-	(270,000)
Net Cash Provided by (Used in) Financing Activities	<u>(697,279)</u>	<u>(270,000)</u>	<u>24,504</u>	<u>(942,775)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	349,519	136,894	6,418	492,831
Cash and Cash Equivalents, Beginning of Year	97,046	-	-	97,046
Cash and Cash Equivalents, End of Year	<u>\$ 446,565</u>	<u>\$ 136,894</u>	<u>\$ 6,418</u>	<u>\$ 589,877</u>
Supplemental Disclosure:				
Operating Activities Reflects Interest Paid of:	<u>\$ -</u>	<u>\$ 271,912</u>	<u>\$ -</u>	<u>\$ 271,912</u>

The Accompanying Notes are an Integral Part of These Financial Statements

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CASH FLOWS (continued)
For the Six Months Ended December 31, 2015

	<u>Operating</u> <u>Fund</u>	<u>Capital</u> <u>Fund</u>	<u>Endowment</u> <u>Fund</u>	<u>Total</u> <u>Funds</u>
Supplemental Disclosure of Non-Cash Operating, Investing and Financing Activities:				
Fair Value of Assets Acquired on Merger:				
Accounts Receivable	\$ 26,034	\$ -	\$ -	\$ 26,034
Pledges Receivable (Net)	51,135	-	-	51,135
Prepaid Expenses	44,588	-	-	44,588
Long-Term Investments	-	-	3,093,786	3,093,786
Gift Annuity Receivable	-	-	25,000	25,000
Beneficial Interest in Charitable Remainder Trust	-	-	37,895	37,895
Beneficial Interest in Perpetual Trust	-	-	1,458,721	1,458,721
Property and Equipment (Net)	-	7,117,819	-	7,117,819
Donated Land Held for Sale	-	202,500	-	202,500
Fair Value of Liabilities Assumed on Merger:				
Accounts Payable and Accrued Expenses	(178,551)	-	-	(178,551)
Line of Credit	(697,279)	-	-	(697,279)
Custodial Accounts	(152,657)	-	-	(152,657)
Deferred Income	(838,750)	-	-	(838,750)
Liability Under Charitable Remainder Trust	-	-	(14,969)	(14,969)
Non-Cash Contribution Received on Merger With San Gabriel Valley Council	(1,745,480)	7,320,319	4,600,433	10,175,272
Cash Received on Merger with San Gabriel Valley Council	833,045	-	30,958	864,003
Contribution Received on Merger With San Gabriel Valley Council	\$ (912,435)	\$ 7,320,319	\$ 4,631,391	\$ 11,039,275

The Accompanying Notes are an Integral Part of These Financial Statements

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - NATURE OF OPERATIONS

(a) ORGANIZATION

The Greater Los Angeles Area Council, Boy Scouts of America (the Council), located in Los Angeles, California, is a non-profit California corporation operating under a charter from the National Council of the Boy Scouts of America (the National Council). The program facilitates meaningful contact and communication among youth, parents, and other community organizations to help young people adopt strong values and life skills. The program presents activities which are fun and interesting, providing valuable experiences directed at the maturity and interests of the young people at their appropriate age and ability levels.

On July 1, 2015, the Los Angeles Area Council and the San Gabriel Valley Council merged, and the surviving organization changed its name to the Greater Los Angeles Area Council, Boy Scouts of America in order to consolidate and strengthen Scouting efforts in the Los Angeles County area. The assets received and liabilities assumed were recognized as a contribution to the Council and were measured at fair value as of the date of merger.

The Council provides services to young men ages 7-21 and young women ages 14-21.

The Council operates seven camps, four owned and three leased. These camps serve as training grounds to accomplish its mission.

The Council's strength lies in its vast core of thousands of volunteers that provide leadership at every level of the organization from its Board of Directors to unit volunteers. Much of the Council's efforts seek to enhance its volunteer leadership core through training, supplies, and facilities for Scout activities.

The Council's programs are classified as follows:

- ***Tiger Cubs*** - One-year, family-oriented program for a group of teams, each consisting of a first-grade (or 7-year-old) boy and an adult partner (usually a parent). A Tiger Cub den is part of the Cub Scout pack.
- ***Cub Scouts*** - Family and community-centered approach for boys ages 8 through 10 for teaching citizenship, compassion, social skills and courage through service projects, ceremonies, games, and other activities that promote character development and physical fitness.
- ***Boy Scouting*** - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts ages 11 through 18 develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - NATURE OF OPERATIONS (continued)

(a) ORGANIZATION (continued)

- **Varsity Scouting** - Program for young men ages 14 through 17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis, including advancement, high-adventure sports, personal development, service, and special programs and events.
- **Venturing** - Provides experiences to help young men and women, ages 14 - or 13 with completion of eighth grade - through 20, become mature, responsible, caring adults. Young teens learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and youth protection training.
- **Learning for Life** - Program to enable young people to become responsible individuals by teaching positive character traits, career development, leadership, and life skills so they can make ethical choices and achieve their full potential.
- **Exploring** - Program is a skill based career orientated program for youth ages 14 through 20. The program is sponsored by police departments, fire departments and other professional community-based entities.

(b) MEMBERSHIP AND CAMPING STATISTICS

The Council serves Los Angeles County through ten districts and the Exploring Division. The Scouting membership of the Council as of December 31, 2015 is as follows:

Cub Scouts	7,342
Boy Scouts	8,105
Venturers	799
	16,246
TOTAL BOY SCOUTS OF AMERICA YOUTH	16,246
Exploring	2,351
	18,597
TOTAL MEMBERSHIP	18,597

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Council are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. At December 31, 2015, included in unrestricted net assets are Board designated net assets of \$9,466,044 that are part of the endowment fund.
- **Temporarily Restricted.** The Council reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions, whose restrictions have been met in the same reporting period, are reported as unrestricted support in the statement of activities. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from purpose or time restrictions. At December 31, 2015, the Council had \$342,832 of temporarily restricted net assets.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Council to expend all of the income (or other economic benefits) derived from the donated assets. At December 31, 2015, the Council has \$7,790,631 of permanently restricted net assets.

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FUND ACCOUNTING

The Council accounts for and reports transactions in established fund groups as required by the National Council, for the purpose of identifying those resources which are available for the specific objectives of the Council. Each fund group is segregated as unrestricted, temporarily restricted, or permanently restricted for the purpose of identifying specific limitations or restrictions imposed by various donors of funds. A description of each fund is as follows:

Operating Fund. The fund includes unrestricted and temporarily restricted resources which are available to support the Council's current operations.

Capital Fund. The fund is used to account for the Council's physical assets and resources set aside for the acquisition of those assets. The temporarily restricted portion relates to resources which have been donated to the Council for the purchase or improvement of property and equipment.

Endowment Fund. The fund includes all of the Council's investments, excluding those accounted for specifically in other funds. The fund was established to account for resources for the Council's future operations. Most monies in this fund are unrestricted and have been designated by management as "endowment" funds even though such funds may be spent for any purpose. The fund includes unrestricted, temporarily restricted, and permanently restricted resources.

(d) CASH AND CASH EQUIVALENTS

The Council has defined cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of three months or less. Funds temporarily maintained in money market accounts at the brokerage firm holding the Council's investments are included in the investment balances on the statement of financial position.

(e) CUSTODIAL ACCOUNTS

The Council holds deposits of cash in banks on behalf of affiliated organizations. As the Council has little or no discretion over the use of these funds, a liability for custodial accounts is included on the statements of financial position. As of December 31, 2015 cash held in custodial accounts totaled \$678,942.

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At December 31, 2015, accounts receivable are deemed fully collectible, and therefore no allowance for doubtful accounts has been provided.

(g) PLEDGES RECEIVABLE

Unconditional pledges recorded at estimated fair value, are recognized as revenues when the pledge is received. The Council reports unconditional pledges as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable with donor-imposed restrictions that are met in the same period as received are reported as unrestricted net assets. A discount rate has been used to calculate the present value of pledges receivable. The Council evaluated the collectability of contributions and pledges receivable and established an allowance for uncollectible pledges of \$750 at December 31, 2015.

(h) LEGACIES AND BEQUESTS

The Council has been designated as the beneficiary in numerous wills. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of bequest is known, and the Council is certain that, based on the estates' net assets, the amount bequeathed is realizable.

(i) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of changes in net assets as increases or decreases in the unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

(j) CONCENTRATION OF CREDIT RISK

The Council places its temporary cash deposits with high-credit, quality financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Council has not incurred losses related to these deposits and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) GIFT ANNUITIES RECEIVABLE

The Council is the beneficiary of two charitable gift annuities administered by the National Council. These annuities represent the assets received in the form of contributions in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. The fair market value of the donated assets at December 31, 2015 was \$43,607. There is no annuitant liability to the Council, as the National Council makes the required distributions to the annuitants.

(l) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Council has been designated as the beneficiary of assets held in an irrevocable charitable remainder trust administered by another trustee. The Council recognizes temporarily restricted contribution revenue and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of changes in net assets as a change in value of beneficial interest in charitable remainder trust.

(m) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Donors have established and funded two trusts, which are administered by organizations other than the Council. Under the terms of the trusts, the Council has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trusts. The Council does not control the assets held by outside trusts. Annual distributions from the trusts are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of changes in net assets as a change in value of beneficial interest in perpetual trusts.

(n) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Improvements	20-50 Years
Office Furniture and Equipment	5-10 Years
Aquatics Equipment	3-10 Years
Transportation Equipment	4-9 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. In accordance with the covenants set forth in the notes payable agreements (Note 7), the Council may not sell property and equipment without the written consent of the bank.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) DERIVATIVE FINANCIAL INSTRUMENTS

The Council uses derivative financial instruments to manage the risk associated with fluctuations in interest rates. The Council uses interest rate swaps to effectively lock in a fixed interest rate for a strategic portion of its debt (see Note 7).

The accounting and reporting standards for derivative instruments and hedging activities require that all derivative instruments, including certain derivative instruments embedded in other contracts, be recorded as either assets or liabilities measured at fair value. These standards also require that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The Council obtains current valuations of interest rate hedging instruments from third-party pricing models. The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transaction and the overall management of exposure to fluctuations in the underlying risks. The fair value of derivatives is included in current liabilities or non-current liabilities, as appropriate.

(p) DEFERRED REVENUE

Fees for camps and training courses to be held in the subsequent periods are deferred and recognized in the period in which the related services are rendered or events held.

(q) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Some members of the Council have donated significant amounts of time to the Council in furthering the Council's programs and objectives. The services that these members rendered, however, do not meet the above criteria and, as such, are not recognized as revenue. In-kind contributions of \$275,180 were received which satisfied the criteria for recognition during the six months ended December 31, 2015.

(r) INCOME TAXES

The Council is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Council has no unrelated business income for the six months ended December 31, 2015. Accordingly, no provision for income taxes has been recorded.

The Council is no longer subject to federal and state tax examinations by tax authorities for the years before 2012, generally for three years after the tax returns are filed.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Council's programs and other activities have been presented in the statement of functional expenses. During the reporting period, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Council uses employee time to allocate indirect costs. In accordance with the policy of the National Council, the payments of the charter and national service fees to the National Council are not allocated as functional expenses.

(t) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(u) SUBSEQUENT EVENTS

The Council has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 21, 2016, the date these financial statements were available to be issued.

NOTE 3 - PLEDGES RECEIVABLE

At December 31, 2015, pledges receivable are due to be received as follows:

Due in 1 Year	\$ 71,425
Due in 2-5 Years	<u>10,000</u>
GROSS PLEDGES RECEIVABLE	81,425
Less: Allowance for Uncollectible Pledges	<u>(750)</u>
PLEDGES RECEIVABLE (NET)	<u>\$ 80,675</u>

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 4 - INVESTMENTS

Investments at December 31, 2015 consist of the following:

Cash and Cash Equivalents	\$ 1,967,225
Corporate Bonds	6,079,301
Corporate Bonds - Mutual Funds	1,614,374
U.S. Equities	5,273,391
Private Equity	<u>255,572</u>
<i>TOTAL INVESTMENTS</i>	<u>\$ 15,189,863</u>

Investment income and expenses recorded in the accompanying financial statements for the six months ended December 31, 2015 consist of the following:

Interest and Dividends	\$ 165,250
Unrealized Losses	(886,115)
Realized Losses	(5,780)
Investment Fees	<u>(71,805)</u>
<i>TOTAL INVESTMENT LOSS (NET)</i>	<u>\$ (798,450)</u>

The Council has a board approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Council has implemented the fair value accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Council's assets that are measured at fair value on a recurring basis at December 31, 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	December 31, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and Cash Equivalents	\$ 1,967,225	\$ 1,967,225	\$ -	\$ -
Corporate Bonds	6,079,301	-	6,079,301	-
Corporate Bonds - Mutual Funds	1,614,374	1,614,374	-	-
U.S. Equities	5,273,391	5,273,391	-	-
Private Equity	255,572	-	-	255,572
TOTAL INVESTMENTS	15,189,863	8,854,990	6,079,301	255,572
Gift Annuities Receivable	43,607	-	-	43,607
Beneficial Interest in Charitable Remainder Trust	38,074	-	-	38,074
Beneficial Interest in Perpetual Trusts	2,066,812	-	-	2,066,812
TOTAL	\$ 17,338,356	\$ 8,854,990	\$ 6,079,301	\$ 2,404,065
Liability:				
Obligation Under Interest Rate Swap	\$ 2,221,914	\$ -	\$ 2,221,914	\$ -

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the reporting period. The fair values of the interest rate swaps with Level 2 inputs were derived from third-party pricing models using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The fair value estimates are based on information available as of December 31, 2015. These amounts have not been revalued since that date, and current estimates of fair value could differ significantly from the amounts presented. The fair value of the beneficial interest within Level 3 inputs was determined as described in Note 2(m). The Council recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the six months ended December 31, 2015.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Changes in Level 3 measurements for the six months ended December 31, 2015 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					Total
	Unrestricted	Temporarily Restricted		Permanently Restricted		
		Private Equity	Gift Annuities Receivable	Beneficial Interest in Charitable Remainder Trust	Beneficial Interest in Perpetual Trusts	
Beginning Balance	\$ 292,614	\$ 32,153	\$ 37,895	\$ 2,199,946	\$ 2,562,608	
Sales/Withdrawals	(13,416)	-	-	(21,688)	(35,104)	
Purchases	-	-	-	-	-	
Net Realized and Unrealized Losses	(28,817)	-	-	-	(28,817)	
Interest and Dividend Income	5,191	-	-	-	5,191	
Change in Value of Gift Annuities Receivable	-	11,454	-	-	11,454	
Change in Value of Beneficial Interests	-	-	179	(111,446)	(111,267)	
ENDING BALANCE	\$ 255,572	\$ 43,607	\$ 38,074	\$ 2,066,812	\$ 2,404,065	

The Council uses net asset value (NAV) per share, or its equivalent, to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Investments in private equity are comprised of a private equity fund that invests in commercial stage health care companies and products. These investments cannot be redeemed. The funds provide distributions only upon liquidation of the underlying assets. The fund managers estimate the fund assets will be liquidated over seven to ten years. It is probable that the investments will be sold at an amount different than their NAV. Unfunded commitments at December 31, 2015 amounted to \$101,732.

**GREATER LOS ANGELES AREA COUNCIL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6 - PROPERTY AND EQUIPMENT

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

Land	\$ 4,411,628
Land Improvements	7,167,812
Buildings	31,984,770
Leasehold Improvements	5,841,287
Office Furniture and Equipment	2,946,770
Aquatics Equipment	122,066
Transportation Equipment	321,656
Construction in Process	<u>3,733</u>
TOTAL PROPERTY AND EQUIPMENT	52,799,722
Less: Accumulated Depreciation	<u>(18,272,508)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 34,527,214</u>

Depreciation expense for the six months ended December 31, 2015 was \$666,308.

NOTE 7 - NOTES PAYABLE

Notes payable at December 31, 2015 consist of the following:

Note Payable - Bank, Secured by the Council's Investments and Real Property, Annual Escalating Principal Payments, Monthly Interest Payments at LIBOR, plus 2.0%, Final Principal and Interest Payment Due February 2017	\$ 5,052,500
Note Payable - Bank, Secured by the Council's Investments and Real Property, Annual Escalating Principal Payments, Monthly Interest Payments at LIBOR, plus 1.25%, Final Principal and Interest Payment Due February 2017	<u>4,747,500</u>
TOTAL NOTES PAYABLE	9,800,000
Less: Current Maturities	<u>(280,000)</u>
TOTAL NOTES PAYABLE-LONG TERM PORTION	<u>\$ 9,520,000</u>

The one-month LIBOR rate at December 31, 2015 was 0.24%. Interest expense of \$271,912 was recognized on the notes payable during the six months ended December 31, 2015.

**GREATER LOS ANGELES AREA COUNCIL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 7 - NOTES PAYABLE (continued)

The future maturity of the long-term debt is as follows:

Years Ending December 31	
2016	\$ 280,000
2017	<u>9,520,000</u>
TOTAL NOTES PAYABLE	<u><u>\$ 9,800,000</u></u>

The notes payable agreements contain various restrictive covenants that include compliance with certain ratios and financial reporting deadlines, as defined in the agreements.

The interest rate swap effectively fixes the interest rate [See Note 2(o)]. The outstanding interest rate swap agreement at December 31, 2015 has the following terms:

Notional Amount	\$ 10,530,000
Interest Rate (Receive)	67% of U.S. LIBOR
Interest Rate (Pay)	3.256%
Maturity	December 2038
Long-Term Obligation under Interest Rate Swap	 \$ 2,221,914

The notional amount under the swap agreement decreases as principal payments are made on the notes and the principal payments are under a fixed amortization schedule that cannot be prepaid. The swap agreement does not qualify for hedge accounting under the provisions of the accounting standards relating to accounting for derivatives and, accordingly, the Council recognizes the changes in the fair values immediately as gain (loss) on obligation under interest rate swap. The loss on the swap contract was \$234,258 for the six months ended December 31, 2015.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) LITIGATION

In the ordinary course of conducting its business, the Council becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Council which, from time to time, may have an impact on changes in net assets. The Council believes that these proceedings, individually or in the aggregate, would not have a material effect on the accompanying financial statements. The Council is insured by the National Council for claims made and has a deductible of \$12,500 per claim under this coverage.

(b) OPERATING LEASES

- **San Gabriel Valley Offices** - The Council leases the land on which its San Gabriel Valley offices are located. The Council paid the lessor \$10,584 upon execution of the lease in January, 1992. The lease expires on January 31, 2040, at which time, title to building and improvements then situated on the land shall pass to the lessor, without payment or consideration. The Council is required to pay all property taxes and assessments relating to the property.

**GREATER LOS ANGELES AREA COUNCIL,
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NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(b) OPERATING LEASES (continued)

- ***Camp Cherry Valley*** - The Council leases its facility on Santa Catalina Island under an original operating lease agreement that expired December 31, 2012. The Council had an option to extend the initial five year term of this lease for two consecutive terms of five years if certain terms and conditions are met as defined in the agreement. In April 2012, the lessor approved the Council's request to exercise its option to extend the lease through December 31, 2017. In the event that the Council has expended at least \$500,000 on capital improvements to the facility as defined in the agreement, the Council shall have an additional option to extend the term of the lease for one additional term of five years. At December 31, 2015, the Council has \$228,630 in net book value of leasehold improvements at Camp Cherry Valley. Under the terms of the lease, the landlord may require the Council to demolish and remove all or any part of the leasehold improvement at the Council's expense at the expiration of the lease. However, the Council believes that the likelihood that the landlord will require the removal of the leasehold improvement is minimal. The initial base rent for 2008, the first year of the lease, was \$112,350 and increases each year by 5% or the cost of living index increase (as defined), whichever is greater. Base rent for the six months ended December 31, 2015 was \$79,044. Additional rent of 8% of gross revenues (as defined) less the base rent is to be paid per calendar year. Lease expense for the six months ended December 31, 2015 was \$79,044. The Council subleases its facilities at Camp Cherry Valley to another nonprofit organization on an attendance basis. Sublease rental income for the six months ended December 31, 2015 was \$105,243 which is included in camping revenue.

- ***Equipment*** - The Council leases a vehicle and office equipment under operating leases that expire through December 2016 and November 2020, respectively. Monthly rent on the vehicle and office equipment is \$223 and \$5,438, respectively.

Future minimum lease payments are as follows:

Years Ending December 31	
2016	\$ 266,195
2017	272,060
2018	76,476
2019	76,476
2020	70,103
<i>TOTAL</i>	<u>\$ 761,310</u>

Total rent expense on operating leases for the six months ended December 31, 2015 was \$94,909, which is included in occupancy and rental of equipment on the statement of functional expenses.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 9 - MERGER WITH SAN GABRIEL VALLEY COUNCIL

On July 1, 2015, the assets and liabilities of the San Gabriel Valley Council were merged with those of the Los Angeles Area Council. The fair value of the San Gabriel Valley Council's assets and liabilities by fund as of the date of merger were as follows:

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Fair Value of Assets Acquired:				
Cash and Cash Equivalents	\$ 833,045	\$ -	\$ 30,958	\$ 864,003
Accounts Receivable	26,034	-	-	26,034
Pledges Receivable (Net)	51,135	-	-	51,135
Prepaid Expenses	44,588	-	-	44,588
Long-Term Investments	-	-	3,093,786	3,093,786
Gift Annuity Receivable	-	-	25,000	25,000
Beneficial Interest in Charitable Remainder Trust	-	-	37,895	37,895
Beneficial Interest in Perpetual Trust	-	-	1,458,721	1,458,721
Property and Equipment (Net)	-	7,117,819	-	7,117,819
Donated Land Held for Sale	-	202,500	-	202,500
Fair Value of Liabilities Assumed:				
Accounts Payable and Accrued Expenses	(178,551)	-	-	(178,551)
Line of Credit	(697,279)	-	-	(697,279)
Custodial Accounts	(152,657)	-	-	(152,657)
Deferred Income	(838,750)	-	-	(838,750)
Liability Under Charitable Remainder Trust	-	-	(14,969)	(14,969)
<i>NET ASSETS ACQUIRED OVER LIABILITIES ASSUMED ON MERGER WITH SAN GABRIEL VALLEY COUNCIL</i>				
	\$ (912,435)	\$ 7,320,319	\$ 4,631,391	\$ 11,039,275

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Urban Emphasis	\$ 250,000
Business Leaders Breakfast	15,725
Time Restricted	<u>77,107</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<u>\$ 342,832</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2015 total \$7,790,631. The investment earnings on these endowment funds are available for the general support of the Council's programs and operations, unless otherwise designated by the donor.

NOTE 12 - ENDOWMENTS

The Council's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to the Council, or a term endowment, which is to provide income for a specified period to the Council. The beneficial interest in perpetual trust is considered part of the Council's endowments.

The Council's management understands California state law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Council's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over an investment horizon of ten years. The endowments are also managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that funds the Council's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that meets or exceeds the return of a balanced market index (65% S&P 500 Index and 35% Lehman Brothers Government and Corporate Bond Index).

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 12 - ENDOWMENTS (continued)

The Council's Board of Directors has developed a spending policy that distributes a specific payout rate of the endowment base to support the Council's programs. Such a policy allows for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy minimizes the invading of principal over the long term. The spend rate for the six months ended December 31, 2015 was 5% of the market value of the endowments based on a twelve-quarter rolling average as of the end of each quarter.

Endowment Net Asset

**Composition by Type of Fund at
December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ -	\$ 5,723,819	\$ 5,723,819
Board-Designated	9,466,044	-	-	9,466,044
TOTAL ENDOWMENT NET ASSETS	\$ 9,466,044	\$ -	\$ 5,723,819	\$ 15,189,863

**Changes in Endowment Net
Assets for the Six Months Ended
December 31, 2015**

Endowment Net Assets - July 1, 2015	\$ 13,056,409	\$ -	\$ 5,699,315	\$ 18,755,724
Contributions	-	-	24,504	24,504
Investment Income (Net)	65,050	28,395	-	93,445
Realized Investment Loss	(4,024)	(1,756)	-	(5,780)
Unrealized Investment Loss	(616,851)	(269,264)	-	(886,115)
Appropriated Expenditures	(806,436)	242,625	-	(563,811)
Transfers	(2,228,104)	-	-	(2,228,104)
ENDOWMENT NET ASSETS - December 31, 2015	\$ 9,466,044	\$ -	\$ 5,723,819	\$ 15,189,863

NOTE 13 - EMPLOYEE BENEFIT PLANS

(a) RETIREMENT PLAN

The Council participates in a qualified defined benefit pension plan ("the plan") administered at the national office that covers employees of the National Council and local councils, including the Greater Los Angeles Area Council. The plan name is the *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. Participants must enroll and agree to contribute 1% of their annual compensation through payroll deductions. The National Council and local councils also make contributions equal to 7% of the annual compensation of qualified participants, who vest after five years of service. The contribution from the Council to the retirement fund during the six months ended December 31, 2015 was \$108,828.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

The actuarial information for the plan as of February 1, 2015, indicates that it is in compliance with Employee Retirement Income Security Act of 1974 (ERISA) regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits was 7%. The actuarial information stated that there was a change from the prior year in the mortality table. Amortization of gains and losses is over seven years, and the amortization of past or prior service cost is seven years. The actuarial valuation includes all Plan amendments as of February 1, 2015.

The Council formerly sponsored a tax-deferred 403(b) plan for its employees, funded through salary reductions elected by the participants and employer matching contributions. The plan was suspended in 2009.

(b) THRIFT PLAN

The Council has established a thrift plan covering substantially all of the employees of the Council. Participants in the thrift plan may elect to make voluntary before-tax contributions based on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The employer matching portion of the Plan was suspended in 2009.

(c) HEALTH CARE PLAN

The Council's employees participate in a health care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the six months ended December 31, 2015, the Council incurred expenses of \$313,360 on behalf of its employees to the National Council related to the health care plan.

NOTE 14 - SCOUT SHOP

The Council operates a Scout shop within the Los Angeles area. The National Council manages the Scout shop and pays the Council an 8% commission on gross sales up to \$750,000, and 13% in excess of \$750,000. The commissions earned before expenses by the Council during the six months ended December 31, 2015 amounted to \$88,830, which are included in other revenue in the statements of changes in net assets.

**GREATER LOS ANGELES AREA COUNCIL,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 15 - RELATED PARTY TRANSACTIONS

(a) BOARD OF DIRECTORS

The Council conducted business with the following companies whose employees are also members of the Council's Board of Directors:

Name	Services	Amount
Dentons US LLP	In-kind Legal Services	\$ 145,250
Birkholm Direct	Direct Mail and Consulting	18,000

(b) NATIONAL SERVICE AND CHARTER FEES

The Council is required to remit annually to the National Council a service fee, which is based on a percentage of salaries expense from the prior two years. The fee is used to cover the costs related to providing administrative, technical, and other support to the Council, excluding information technology-related support. The Council paid \$57,863 in service fees to the National Council during the six months ended December 31, 2015. The Council is also required to pay an annual charter fee of \$100 to the National Council to continue to operate as a local council of the Boy Scouts of America. The service and charter fees are separate from the employee benefit plan costs as described in Note 12.

(c) REGISTRATION FEES

The Council collects annual registration fees from local scout troops and packs and remits these fees to the National Council on a daily basis. These fees are not recognized in the Council's revenue. The Council remitted \$93,786 in registration fees to the National Council during the six months ended December 31, 2015. Due to timing differences, unremitted fees at the end of the period are included in the custodial account liability.

(d) OUTSIDE ACCOUNTING SERVICES

During the six months ended December 31, 2015, the National Council advanced the Council funds to pay for outside accounting services totaling \$60,000 designated for the twelve months ending June 30, 2016. At December 31, 2015, there is a \$30,000 liability that is included in deferred income.

**GREATER LOS ANGELES AREA COUNCIL,
BOY SCOUTS OF AMERICA**

SUPPLEMENTARY INFORMATION

TWELVE MONTHS ENDED
DECEMBER 31, 2015

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Greater Los Angeles Area Council,
Boy Scouts of America

We have audited the financial statements of Greater Los Angeles Area Council, Boy Scouts of America as of and for the six months ended December 31, 2015 and our report thereon dated June 21, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. We also audited the financial statements of Boy Scouts of America, Los Angeles Area Council as of and for the six months ended June 30, 2015 and the financial statements of San Gabriel Valley Council, Boy Scouts of America as of and for the six months ended June 30, 2015, and issued our reports thereon dated June 21, 2016, which also expressed unmodified opinions on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Changes in Net Assets for the above mentioned entities for the twelve months ended December 31, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements referenced above. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Green Hasson & Janks LLP

June 21, 2016
Los Angeles, California

GREATER LOS ANGELES AREA COUNCIL, BOY SCOUTS OF AMERICA

STATEMENT OF CHANGES IN NET ASSETS
For the Twelve Months Ended December 31, 2015

Changes in Unrestricted Net Assets	
Public Support and Revenue	
Direct Support	\$ 1,944,225
Contribution Received on Merger with San Gabriel Valley Council	7,784,435
Other Revenue and Gains	4,109,961
Net Assets Released from Restrictions	
Reclassification of Gift Annuities Receivable	(32,153)
Release from Endowment	(151,018)
Release from Purpose Restrictions	323,588
Total Releases of Net Assets	<u>140,417</u>
Total Public Support and Revenue	13,979,038
Expenses	
Program Services	9,463,421
Support Services:	
Management and General	886,544
Fundraising	803,379
Total Support Services	<u>1,689,923</u>
Total Expenses	11,153,344
Charter and National Service Fees	116,162
Total Expenses	<u>11,269,506</u>
Change in Unrestricted Net Assets	2,709,532
Changes in Temporarily Restricted Net Assets	
Direct Support	102,067
Contribution Received on Merger with San Gabriel Valley Council	228,571
Other Income	11,296
Net Assets Released From Restrictions	
Reclassification of Gift Annuities Receivable	32,153
Release from Endowment	151,018
Release from Purpose Restrictions	(323,588)
Total Releases of Net Assets	<u>(140,417)</u>
Change in Temporarily Restricted Net Assets	201,517
Changes in Permanently Restricted Net Assets	
Direct Support	38,459
Contribution Received on Merger with San Gabriel Valley Council	3,026,269
Other Losses	(146,032)
Change in Permanently Restricted Net Assets	2,918,696
Change in Net Assets	5,829,745
Net Assets, Beginning of Period	
Unrestricted	28,701,640
Temporarily Restricted	141,315
Permanently Restricted	4,871,935
Total Net Assets, Beginning of Period	33,714,890
Net Assets, End of Period	
Unrestricted	31,411,172
Temporarily Restricted	342,832
Permanently Restricted	7,790,631
Total Net Assets, End of Period	\$ 39,544,635

See Independent Auditor's Report on Supplementary Information