

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

FINANCIAL STATEMENTS

SIX MONTHS ENDED
JUNE 30, 2015

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

FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Boy Scouts of America, Los Angeles Area Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Boy Scouts of America, Los Angeles Area Council as of June 30, 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

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF FINANCIAL POSITION
June 30, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 97,046	\$ -	\$ -	\$ 97,046
Accounts Receivable	30,594	-	-	30,594
Pledges Receivable (Net)	128,985	92,561	-	221,546
Prepaid Expenses	280,643	-	-	280,643
Total Current Assets	537,268	92,561	-	629,829
Non-Current Assets:				
Pledges Receivable	65,000	20,000	-	85,000
Long-Term Investments	-	-	15,661,938	15,661,938
Beneficial Interest in Perpetual Trust	-	-	741,225	741,225
Property and Equipment (Net)	-	28,050,436	-	28,050,436
Gift Annuity Receivable	-	-	7,153	7,153
Total Non-Current Assets	65,000	28,070,436	16,410,316	44,545,752
Total Assets	\$ 602,268	\$ 28,162,997	\$ 16,410,316	\$ 45,175,581
Liabilities and Net Assets				
Current Liabilities:				
Book Overdraft	\$ 148,080	\$ -	\$ -	\$ 148,080
Accounts Payable and Accrued Expenses	187,878	15,294	-	203,172
Custodial Accounts	120,608	-	-	120,608
Deferred Income	508,826	-	-	508,826
Notes Payable	-	10,070,000	-	10,070,000
Total Current Liabilities	965,392	10,085,294	-	11,050,686
Non-Current Liability:				
Interest Rate Swap Contract Liability	-	1,987,656	-	1,987,656
Total Liabilities	965,392	12,072,950	-	13,038,342
Net Assets:				
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)	(363,124)	16,090,047	16,410,316	32,137,239
Total Liabilities and Net Assets	\$ 602,268	\$ 28,162,997	\$ 16,410,316	\$ 45,175,581

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF CHANGES IN NET ASSETS

For the Six Months Ended June 30, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Changes in Unrestricted Net Assets				
Public Support and Revenue				
Direct Support				
Friends of Scouting	\$ 329,524	\$ -	\$ -	\$ 329,524
Special Fundraising Events - Gross	170,067	-	-	170,067
Less: Cost of Direct Benefits to Participants	(34,650)	-	-	(34,650)
Special Fundraising Events - Net	135,417	-	-	135,417
Foundations and Trusts	603	-	-	603
Donated Services and Rent	320,720	-	-	320,720
Legacies and Bequests	906	-	-	906
Other Direct Support	64,910	-	-	64,910
Total Direct Support	852,080	-	-	852,080
Other Revenue, Gains and (Losses)				
Product Sales - Net	(586)	-	-	(586)
Investment Income (Net)	485,167	-	(471,290)	13,877
Camping Revenue	673,593	-	-	673,593
Activity Revenue	125,337	-	-	125,337
Other Revenue	49,562	10,942	-	60,504
Rental Income	30,103	-	-	30,103
Gain on Interest Rate Swap Contract	-	212,425	-	212,425
Total Other Revenue, Gains and (Losses)	1,363,176	223,367	(471,290)	1,115,253
Net Assets Released from Restrictions				
Release from Endowment	-	-	13,421	13,421
Release from Purpose Restrictions	124,100	-	-	124,100
Total Releases of Net Assets	124,100	-	13,421	137,521
Total Public Support and Revenue	\$ 2,339,356	\$ 223,367	\$ (457,869)	\$ 2,104,854

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF CHANGES IN NET ASSETS (continued)
For the Six Months Ended June 30, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Expenses				
Program Services	\$ 2,164,762	\$ 706,562	\$ -	\$ 2,871,324
Support Services:				
Management and General	375,288	35,578	3,144	414,010
Fundraising	275,449	22,849	-	298,298
Total Support Services	<u>650,737</u>	<u>58,427</u>	<u>3,144</u>	<u>712,308</u>
Total Functional Expenses	2,815,499	764,989	3,144	3,583,632
Charter and National Service Fees	<u>25,830</u>	-	-	<u>25,830</u>
Total Expenses	<u>2,841,329</u>	<u>764,989</u>	<u>3,144</u>	<u>3,609,462</u>
Change in Unrestricted Net Assets	<u>\$ (501,973)</u>	<u>\$ (541,622)</u>	<u>\$ (461,013)</u>	<u>\$ (1,504,608)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF CHANGES IN NET ASSETS (continued)
For the Six Months Ended June 30, 2015

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>Total Funds</u>
Change in Temporarily Restricted Net Assets				
Direct Support				
Investment Income	\$ -	\$ -	\$ 13,421	\$ 13,421
Capital Contributions	-	-	-	-
Foundations, Trusts, and Memorials	50,000	-	-	50,000
Net Assets Released From Restrictions				
Release from Endowment	-	-	(13,421)	(13,421)
Release from Purpose Restrictions	(124,100)	-	-	(124,100)
Change in Temporarily Restricted Net Assets	<u>(74,100)</u>	<u>-</u>	<u>-</u>	<u>(74,100)</u>
Change in Permanently Restricted Net Assets				
Direct Support				
Foundations and Trusts	-	-	-	-
Other Direct Support	-	-	3,500	3,500
Other Losses				
Change in Value of Beneficial Interest in Perpetual Trust	-	-	(2,443)	(2,443)
Change in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>	<u>1,057</u>	<u>1,057</u>
Change in Net Assets	<u>(576,073)</u>	<u>(541,622)</u>	<u>(459,956)</u>	<u>(1,577,651)</u>
Net Assets, Beginning of Year				
Unrestricted	(7,953)	15,861,256	12,848,337	28,701,640
Temporarily Restricted	141,315	-	-	141,315
Permanently Restricted	-	-	4,871,935	4,871,935
Total Net Assets, Beginning of Year	<u>133,362</u>	<u>15,861,256</u>	<u>17,720,272</u>	<u>33,714,890</u>
Transfers	79,587	770,413	(850,000)	-
Net Assets, End 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, End of Year	<u>\$ (363,124)</u>	<u>\$ 16,090,047</u>	<u>\$ 16,410,316</u>	<u>\$ 32,137,239</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
For the Six Months Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 844,772	\$ 126,197	\$ 179,427	\$ 1,150,396
Employee Benefits	125,910	10,493	13,490	149,893
Payroll Taxes	165,888	12,133	15,599	193,620
Total Employee Compensation	1,136,570	148,823	208,516	1,493,909
Other Expenses				
Professional Fees	172,087	206,611	12,247	390,945
Supplies	254,684	3,804	7,427	265,915
Telephone and Communications	30,792	1,608	2,803	35,203
Postage and Shipping	7,496	605	778	8,879
Occupancy and Utilities	294,538	3,231	4,154	301,923
Rental and Maintenance of Equipment	41,861	3,829	-	45,690
Publication and Media Services	2,062	848	720	3,630
Travel and Living	64,772	1,492	8,290	74,554
Conferences and Meetings	9,969	213	4,082	14,264
Specific Assistance to Individuals	21,009	-	-	21,009
Insurance	66,408	5,058	6,503	77,969
Recognition Awards	4,024	135	6,270	10,429
Interest Expense	206,448	32,499	22,119	261,066
Other Expenses	58,490	4,686	13,659	76,835
Total Other Expenses	1,234,640	264,619	89,052	1,588,311
Expenses Before Depreciation	2,371,210	413,442	297,568	3,082,220
Depreciation of Building/Equipment	500,114	568	730	501,412
Total Functional Expenses	\$ 2,871,324	\$ 414,010	\$ 298,298	\$ 3,583,632
Functional Expense Percentage	80%	12%	8%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2015

	Operating Fund	Capital Fund	Endowment Fund	Total Funds
Cash Flows From Operating Activities:				
Change in Net Assets	\$ (576,073)	\$ (541,622)	\$ (459,956)	\$ (1,577,651)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Transfers	79,587	770,413	(850,000)	-
Depreciation	-	501,412	-	501,412
Gain on Disposal of Fixed Assets	-	(10,942)	-	(10,942)
Reinvested Interest and Dividends	-	-	(68,298)	(68,298)
Net Realized and Unrealized Losses on Investments	-	-	41,000	41,000
Decrease in Obligation				
Under Interest Rate Swap Contract	-	(212,425)	-	(212,425)
Contributions Restricted for Long-Term Purposes	-	-	(3,500)	(3,500)
Loss on Uncollectible Pledges Receivable	55,669	-	-	55,669
Change in Value of Beneficial Interest in Perpetual Trust	-	-	2,443	2,443
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	4,389	-	-	4,389
(Increase) Decrease in Pledges Receivable	(69,966)	-	3,077	(66,889)
(Increase) Decrease in Prepaid Expenses	(121,317)	-	-	(121,317)
Increase (Decrease) in Book Overdraft	148,080	-	-	148,080
Increase (Decrease) in Accounts Payable and Accrued Expenses	(28,628)	(1,081)	-	(29,709)
Increase (Decrease) in Custodial Accounts	(195,720)	-	-	(195,720)
Increase (Decrease) in Deferred Revenue	412,813	-	-	412,813
Net Cash Provided by (Used in) Operating Activities	(291,166)	505,755	(1,335,234)	(1,120,645)
Cash Flows from Investing Activities:				
Purchase of Property and Equipment	-	(16,697)	-	(16,697)
Proceeds from Sale of Property and Equipment	-	10,942	-	10,942
Sale of Investments	-	-	5,966,492	5,966,492
Purchase of Investments	-	-	(4,634,758)	(4,634,758)
Net Cash Provided by (Used in) Investing Activities	-	(5,755)	1,331,734	1,325,979
Cash Flows from Financing Activities:				
Contributions Restricted for Long-Term Purposes	-	-	3,500	3,500
Payments on Notes Payable	-	(500,000)	-	(500,000)
Net Cash Provided by (Used in) Financing Activities	-	(500,000)	3,500	(496,500)
Net Decrease in Cash and Cash Equivalents	(291,166)	-	-	(291,166)
Cash and Cash Equivalents, Beginning of Year	388,212	-	-	388,212
Cash and Cash Equivalents, End of Year	\$ 97,046	-	\$ -	\$ 97,046
Supplemental Disclosure:				
Operating Activities Reflects Interest Paid of:	\$ -	\$ 261,066	\$ -	\$ 261,066

The Accompanying Notes are an Integral Part of These Financial Statements

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - NATURE OF OPERATIONS

(a) ORGANIZATION

The Boy Scouts of America, Los Angeles Area Council (the Council), located in Los Angeles, California is a non-profit California corporation operating under a charter from the National Boy Scouts of America. 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.

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

The Council operates four camps, two owned and two 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 to learning citizenship, compassion, and courage through service projects, ceremonies, games, and other activities promoting character development and physical fitness.
- ***Boy Scouting*** - With the Scout Oath and Scout Law as guides, and the support of parents and religious and neighborhood organizations, Scouts develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.
- ***Varsity Scouting*** - Program for young men ages 14-17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis, including advancement, high-adventure sports, personal development, service, and special programs and events.
- ***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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - NATURE OF OPERATIONS (continued)

(b) MEMBERSHIP AND CAMPING STATISTICS

The Council serves Los Angeles County through five districts and the Exploring Division. The Scouting membership of the Council as of June 30, 2015 is as follows:

Tiger Cubs	497
Cub Scouts	1,488
Webelos	1,022
Boy Scouts	3,421
Varsity Scouts	86
Venturers	361
Sea Scouts	6
	6,881
<i>TOTAL BOY SCOUTS OF AMERICA YOUTH</i>	6,881
Exploring	1,218
	8,099
<i>TOTAL MEMBERSHIP</i>	<u>8,099</u>

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 June 30, 2015, included in unrestricted net assets are Board designated net assets of \$11,537,324 that are part of the endowment fund.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING (continued)

- **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 changes in net assets as net assets released from purpose or time restrictions. At June 30, 2015, the Council had \$67,215 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 June 30, 2015, the Council has \$4,872,992 of permanently restricted net assets.

(c) FUND ACCOUNTING

The Council accounts for and reports transactions in established fund groups as required by the National Council of the Boy Scouts of America (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 statements of financial position.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 June 30, 2015 cash held in custodial accounts totaled \$120,608.

(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 June 30, 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 \$386,023 at June 30, 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) INVENTORIES

Inventories consisting of scouting accessories and literature are stated at the lower of cost (first-in, first-out) or market.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

(l) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Council has been designated as the beneficiary of assets held in irrevocable charitable remainder trusts administered by other trustees. 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 trusts. The carrying values of certain trusts have not yet been determined. Accordingly, such assets have not been recorded in the accompanying financial statements.

(m) BENEFICIAL INTEREST IN PERPETUAL TRUST

A donor has established and funded a trust, which is administered by an organization other than the Council. Under the terms of the trust, 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 trust. The Council does not control the assets held by an outside trust. Annual distributions from the trust 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 trust.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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
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.

(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 other 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 event 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 \$320,720 were received which satisfied the criteria for recognition during the six months ended June 30, 2015.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 June 30, 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 2011, generally for three years after the tax returns are filed.

(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 June 30, 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.

On July 1, 2015, the Council merged with the San Gabriel Valley Council, Boy Scouts of America in order to consolidate and strengthen Scouting efforts in the Los Angeles County area. The new council was named Greater Los Angeles Area Council, Boy Scouts of America.

**BOY SCOUTS OF AMERICA,
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 3 - PLEDGES RECEIVABLE

At June 30 2015, pledges receivable are due to be received as follows:

Due in 1 Year	\$ 607,569
Due in 2-5 Years	<u>85,000</u>
<i>GROSS PLEDGES RECEIVABLE</i>	
Less: Allowance for Uncollectible Pledges	<u>(386,023)</u>
<i>PLEDGES RECEIVABLE (NET)</i>	<u><u>\$ 306,546</u></u>

NOTE 4 - INVESTMENTS

Investments at June 30, 2015 consist of the following:

Cash and Cash Equivalents	\$ 339,125
Corporate Bonds	5,485,508
Corporate Bonds - Mutual Funds	2,967,965
U.S. Treasury Securities	1,052,059
U.S. Equities	5,524,667
Private Equity	<u>292,614</u>
<i>TOTAL INVESTMENTS</i>	<u><u>\$ 15,661,938</u></u>

Investment income and expenses recorded in the accompanying financial statements for the six months ended June 30, 2015 consist of the following:

Interest and Dividends	\$ 125,074
Unrealized Losses	(106,257)
Realized Gains	65,257
Investment Fees	<u>(56,776)</u>
<i>TOTAL INVESTMENT INCOME (NET)</i>	<u><u>\$ 27,298</u></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.

**BOY SCOUTS OF AMERICA,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

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).

The following table presents information about the Council's assets that are measured at fair value on a recurring basis at June 30, 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	June 30, 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	\$ 339,125	\$ 339,125	\$ -	\$ -
Corporate Bonds	5,485,508	-	5,485,508	-
Corporate Bonds – Mutual Funds	2,967,965	2,967,965	-	-
U.S. Treasury Securities	1,052,059	-	1,052,059	-
U.S. Equities	5,524,667	5,524,667	-	-
Private Equity	292,614	-	-	292,614
TOTAL INVESTMENTS	15,661,938	8,831,757	6,537,567	292,614
Beneficial Interest in Perpetual Trust	741,225	-	-	741,225
TOTAL	\$ 16,403,163	\$ 8,831,757	\$ 6,537,567	\$ 1,033,839
Liability:				
Swap Contract Liability	\$ 1,987,656	\$ -	\$ 1,987,656	\$ -

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 June 30, 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. There were no transfers between levels during the six months ended June 30, 2015.

**BOY SCOUTS OF AMERICA,
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Changes in Level 3 measurements for the six months ended June 30, 2015 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Unrestricted	Permanently Restricted	Total
	Beneficial Interest in		
	Private Equity	Perpetual Trust	
Beginning Balance	\$ 325,052	\$ 743,668	\$ 1,068,720
Sales/Withdrawals	(167,014)	-	(167,014)
Purchases	11,541	-	11,541
Net Realized and Unrealized Gains	123,035	-	123,035
Interest and Dividend Income	-	-	-
Change in Beneficial Interest	-	(2,443)	(2,443)
<i>ENDING BALANCE</i>	<i>\$ 292,614</i>	<i>\$ 741,225</i>	<i>\$ 1,033,839</i>

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 June 30, 2015 amounted to \$100,752.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 consist of the following:

Land	\$ 931,628
Land Improvements	5,278,293
Buildings	27,972,912
Leasehold Improvements	3,049,849
Office Furniture and Equipment	2,234,463
Transportation Equipment	215,691
Construction in Process	86,772
<i>TOTAL PROPERTY AND EQUIPMENT</i>	<i>39,769,608</i>
Less: Accumulated Depreciation	(11,719,172)
<i>NET PROPERTY AND EQUIPMENT</i>	<i>\$ 28,050,436</i>

Depreciation expense for the six months ended June 30, 2015 was \$501,412.

**BOY SCOUTS OF AMERICA,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 - NOTES PAYABLE

Notes payable at June 30, 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 2016	\$ 5,187,500
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 2016	<u>4,882,500</u>
TOTAL NOTES PAYABLE	10,070,000
Less: Current Maturities	<u>(10,070,000)</u>
TOTAL NOTES PAYABLE-LONG TERM PORTION	\$ <u> -</u>

The one-month LIBOR rate at June 30, 2015 was 0.18%. Interest expense of \$261,066 was recognized on the notes payable during the six months ended June 30, 2015.

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

Years Ending June 30

2016	\$ 10,070,000
------	---------------

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 June 30, 2015 has the following terms:

Notional Amount	\$ 10,770,000
Interest Rate (Receive)	67% of U.S. LIBOR
Interest Rate (Pay)	3.256%
Maturity	December 2038
Long-Term Obligation under Interest Rate Swap	\$ 1,987,656

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 Interest Rate Swap Contract. The gain on the swap contract was \$ 212,425 for the six months ended June 30, 2015.

**BOY SCOUTS OF AMERICA,
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 8 - CONTINGENCIES

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.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

2015 Centenoree Memorial	\$ 1,490
2015 Business Leaders Breakfast	15,725
Time Restricted	<u>50,000</u>
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	<i>\$ 67,215</i>

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 total \$4,872,992. 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 11 - 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.

**BOY SCOUTS OF AMERICA,
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - ENDOWMENTS (continued)

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).

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 June 30, 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 June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ -	\$ 4,131,767	\$ 4,131,767
Board-Designated	11,530,171	-	-	11,530,171
TOTAL ENDOWMENT NET ASSETS	\$ 11,530,171	\$ -	\$ 4,131,767	\$ 15,661,938

**Changes in Endowment Net
Assets for the Six Months
Ended June 30, 2015**

Endowment Net Assets - January 1, 2015	\$ 12,838,107	\$ -	\$ 4,128,267	\$ 16,966,374
Contributions	-	-	3,500	3,500
Investment Income	51,680	16,618	-	68,298
Realized Investment Gain	49,379	15,878	-	65,257
Unrealized Investment Loss	(80,402)	(25,855)	-	(106,257)
Appropriated Expenditures	(478,593)	(6,641)	-	(485,234)
Transfers	(850,000)	-	-	(850,000)
ENDOWMENT NET ASSETS - JUNE 30, 2015	\$ 11,530,171	\$ -	\$ 4,131,767	\$ 15,661,938

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 12 - 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 Los Angeles Area Council. 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. 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 June 30, 2015 was \$55,252.

The actuarial information for the plan as of February 1, 2014, 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, 2014.

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 June 30, 2015, the Council incurred expenses of \$199,589 on behalf of its employees to the National Council related to the health care plan.

**BOY SCOUTS OF AMERICA,
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**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 13 - 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 June 30, 2015 amounted to \$30,103, which are included in other revenue in the statements of changes in net assets.

NOTE 14 - RELATED PARTY TRANSACTIONS

(a) BOARD OF DIRECTORS

The Council conducted business with the following company whose employee is also members of the Council's Board of Directors:

Name	Services	Amount
Dentons US LLP	In-kind Legal Services	\$ 150,665

(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 \$25,730 in service fees to the National Council during the six months ended June 30, 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 \$72,868 in registration fees to the National Council during the six months ended June 30, 2015. Due to timing differences, unremitted fees at the end of the period are included in the custodial account liability.