

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED  
JUNE 30, 2015

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED JUNE 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
San Gabriel Valley Council, Boy Scouts of America

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of San Gabriel Valley Council, Boy Scouts of America (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of changes in net assets, functional expenses and cash flows for the six months then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of San Gabriel Valley Council, Boy Scouts of America 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

**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2015

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total Funds</b>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 833,045	\$ -	\$ 30,958	\$ 864,003
Accounts Receivable	26,034	-	-	26,034
Pledges Receivable (Net)	51,135	-	25,000	76,135
Prepaid Expenses	44,588	-	-	44,588
<b>Total Current Assets</b>	<b>954,802</b>	<b>-</b>	<b>55,958</b>	<b>1,010,760</b>
<b>Non-Current Assets:</b>				
Long-Term Investments	-	-	3,093,786	3,093,786
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)	-	2,550,592	-	2,550,592
Donated Land Held for Sale	-	202,500	-	202,500
<b>Total Non-Current Assets</b>	<b>-</b>	<b>2,753,092</b>	<b>4,590,402</b>	<b>7,343,494</b>
<b>Total Assets</b>	<b>\$ 954,802</b>	<b>\$ 2,753,092</b>	<b>\$ 4,646,360</b>	<b>\$ 8,354,254</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
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
<b>Total Current Liabilities</b>	<b>1,867,237</b>	<b>-</b>	<b>-</b>	<b>1,867,237</b>
Liability Under Charitable Remainder Trust	-	-	14,969	14,969
<b>Total Liabilities</b>	<b>1,867,237</b>	<b>-</b>	<b>14,969</b>	<b>1,882,206</b>
<b>Net Assets (Deficit):</b>				
Unrestricted	(918,080)	2,553,092	1,582,196	3,217,208
Temporarily Restricted	5,645	200,000	22,926	228,571
Permanently Restricted	-	-	3,026,269	3,026,269
<b>Total Net Assets (Deficit)</b>	<b>(912,435)</b>	<b>2,753,092</b>	<b>4,631,391</b>	<b>6,472,048</b>
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 954,802</b>	<b>\$ 2,753,092</b>	<b>\$ 4,646,360</b>	<b>\$ 8,354,254</b>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
For the Six Months Ended June 30, 2015

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total Funds</b>
<b>Changes in Unrestricted Net Assets</b>				
<b>Public Support and Revenue</b>				
Direct Support				
Friends of Scouting	\$ 105,042	\$ -	\$ -	\$ 105,042
Capital Campaign	-	805	-	805
Special Fundraising Events - Gross	75,916	-	-	75,916
Less: Cost of Direct Benefit to Participants	<u>(18,574)</u>	-	-	<u>(18,574)</u>
Special Fundraising Events - Net	57,342	-	-	57,342
Foundations and Trusts	10,759	-	-	10,759
Donated Services	10,000	-	-	10,000
Legacies and Bequests	1,574	-	-	1,574
Other Direct Support	<u>6,525</u>	-	-	<u>6,525</u>
<b>Total Direct Support</b>	<u>191,242</u>	<u>805</u>	<u>-</u>	<u>192,047</u>
Other Revenue				
Product Sales - Gross	3,936	-	-	3,936
Investment Income (Net)	31,500	-	59,595	91,095
Camping Revenue	749,391	-	-	749,391
Activity Revenue	114,191	-	-	114,191
Other Revenue	<u>33,286</u>	-	-	<u>33,286</u>
<b>Total Other Revenue</b>	<u>932,304</u>	<u>-</u>	<u>59,595</u>	<u>991,899</u>
<b>Net Assets Released from Restrictions</b>				
Release from Endowment	-	-	78,094	78,094
Release from Purpose Restrictions	<u>103,385</u>	-	-	<u>103,385</u>
<b>Total Releases of Net Assets</b>	<u>103,385</u>	<u>-</u>	<u>78,094</u>	<u>181,479</u>
<b>Total Public Support and Revenue</b>	<u>\$ 1,226,931</u>	<u>\$ 805</u>	<u>\$ 137,689</u>	<u>\$ 1,365,425</u>

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**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

CONSOLIDATED 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>Funds Total</u>
<b>Expenses</b>				
Program Services	\$ 1,204,374	\$ 128,304	\$ -	\$ 1,332,678
Support Services				
Management and General	32,891	9,555	16,690	59,136
Fundraising	104,960	3,401	-	108,361
Total Support Services	<u>137,851</u>	<u>12,956</u>	<u>16,690</u>	<u>167,497</u>
<b>Total Functional Expenses</b>	1,342,225	141,260	16,690	1,500,175
Charter and National Service Fees	<u>32,469</u>	-	-	<u>32,469</u>
<b>Total Expenses</b>	<u>1,374,694</u>	<u>141,260</u>	<u>16,690</u>	<u>1,532,644</u>
<b>Change in Unrestricted Net Assets</b>	<u>\$ (147,763)</u>	<u>\$ (140,455)</u>	<u>\$ 120,999</u>	<u>\$ (167,219)</u>

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**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

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

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total Funds</b>
<b>Change in Temporarily Restricted Net Assets</b>				
Direct Support				
Investment Income (Net)	\$ -	\$ -	\$ 78,094	\$ 78,094
Foundations and Trusts	98,000	-	-	98,000
Other Revenue, Gains and (Losses)				
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	-	(337)	(337)
Net Assets Released From Restrictions				
Release from Endowment	-	-	(78,094)	(78,094)
Release from Foundations	(103,385)	-	-	(103,385)
Change in Temporarily Restricted Net Assets	<u>(5,385)</u>	<u>-</u>	<u>(337)</u>	<u>(5,722)</u>
<b>Change in Permanently Restricted Net Assets</b>				
Direct Support				
Other Direct Support	-	-	7,312	7,312
Other Losses				
Change in Value of Beneficial Interest in Perpetual Trust	-	-	(10,455)	(10,455)
Change in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>	<u>(3,143)</u>	<u>(3,143)</u>
<b>Change in Net Assets</b>	<u>(153,148)</u>	<u>(140,455)</u>	<u>117,519</u>	<u>(176,084)</u>
<b>Net Assets, Beginning of Year</b>				
Unrestricted	(1,623,089)	2,646,319	2,361,197	3,384,427
Temporarily Restricted	11,030	200,000	23,263	234,293
Permanently Restricted	-	-	3,029,412	3,029,412
<b>Total Net Assets (Deficit), Beginning of Year</b>	<u>(1,612,059)</u>	<u>2,846,319</u>	<u>5,413,872</u>	<u>6,648,132</u>
Interfund Transfers	852,772	47,228	(900,000)	-
<b>Net Assets, End of Year</b>				
Unrestricted	(918,080)	2,553,092	1,582,196	3,217,208
Temporarily Restricted	5,645	200,000	22,926	228,571
Permanently Restricted	-	-	3,026,269	3,026,269
<b>Total Net Assets (Deficit), End of Year</b>	<u>\$ (912,435)</u>	<u>\$ 2,753,092</u>	<u>\$ 4,631,391</u>	<u>\$ 6,472,048</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2015</b>
Salaries	\$ 387,331	\$ 20,234	\$ 33,421	\$ 440,986
Employee Benefits	67,700	4,548	7,320	79,568
Payroll Taxes	50,788	3,713	5,977	60,478
<b>Total Employee Compensation</b>	<b>505,819</b>	<b>28,495</b>	<b>46,718</b>	<b>581,032</b>
<b>Other Expenses</b>				
Professional Fees	112,373	11,085	16,253	139,711
Supplies	105,604	1,499	2,412	109,515
Telephone	10,222	469	755	11,446
Postage and Shipping	14,978	391	1,129	16,498
Occupancy	263,203	3,209	5,165	271,577
Rental and Maintenance of Equipment	44,559	3,146	5,064	52,769
Printing and Publication	3,749	162	261	4,172
Travel	53,875	743	1,196	55,814
Conferences and Meeting	985	2,232	117	3,334
Insurance	63,148	3,704	5,961	72,813
Recognition Awards	1,639	40	265	1,944
Interest Expense	4,038	367	591	4,996
Other Expenses	20,182	1,481	19,073	40,736
<b>Total Other Expenses</b>	<b>698,555</b>	<b>28,528</b>	<b>58,242</b>	<b>785,325</b>
Expenses Before Depreciation	1,204,374	57,023	104,960	1,366,357
Depreciation of Building/Equipment	128,304	2,113	3,401	133,818
<b>Total Functional Expenses</b>	<b>\$ 1,332,678</b>	<b>\$ 59,136</b>	<b>\$ 108,361</b>	<b>\$ 1,500,175</b>
<b>Functional Expense Percentage</b>	<b>89%</b>	<b>4%</b>	<b>7%</b>	

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements



**SAN GABRIEL VALLEY COUNCIL, BOY SCOUTS OF AMERICA**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Six Months Ended June 30, 2015

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total Funds</b>
<b>Cash Flows From Operating Activities:</b>				
Change in Net Assets	\$ (153,148)	\$ (140,455)	\$ 117,519	\$ (176,084)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Interfund Transfers	852,772	47,228	(900,000)	-
Depreciation	-	133,818	-	133,818
Loss on Disposal of Assets	-	761	-	761
Reinvested Interest and Dividends	-	-	(17,269)	(17,269)
Realized and Unrealized Gains on Investments	-	-	(151,920)	(151,920)
Contributions Restricted for Long-Term Purposes	-	-	(7,312)	(7,312)
Loss on Uncollectible Pledges Receivable	-	-	16,690	16,690
Change in Value of Beneficial Interest in Charitable Remainder Trust	-	-	337	337
Change in Value of Beneficial Interest in Perpetual Trust	-	-	10,455	10,455
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(25,722)	-	-	(25,722)
(Increase) Decrease in Pledges Receivable	(19,663)	-	(2,852)	(22,515)
(Increase) Decrease in Inventories	29,439	-	-	29,439
(Increase) Decrease in Prepaid Expenses	50,363	-	-	50,363
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(80,412)	-	-	(80,412)
Increase (Decrease) in Custodial Accounts	(250,137)	-	-	(250,137)
Increase (Decrease) in Deferred Income	708,955	-	-	708,955
Increase (Decrease) in Interfund Loans	(829,687)	(70,313)	900,000	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>282,760</b>	<b>(28,961)</b>	<b>(34,352)</b>	<b>219,447</b>
<b>Cash Flows from Investing Activities:</b>				
Sale of Investments	-	-	3,155,613	3,155,613
Purchase of Investments	-	-	(3,124,115)	(3,124,115)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>-</b>	<b>-</b>	<b>31,498</b>	<b>31,498</b>
<b>Cash Flows from Financing Activities:</b>				
Contributions Restricted for Long-Term Purposes	-	-	7,312	7,312
Payments on Line of Credit	(1,518)	-	-	(1,518)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(1,518)</b>	<b>-</b>	<b>7,312</b>	<b>5,794</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>281,242</b>	<b>(28,961)</b>	<b>4,458</b>	<b>256,739</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>551,803</b>	<b>28,961</b>	<b>26,500</b>	<b>607,264</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 833,045</b>	<b>-</b>	<b>\$ 30,958</b>	<b>\$ 864,003</b>
<b>Supplemental Disclosure:</b>				
Operating Activities Reflects Interest Paid of:	\$ 4,996	\$ -	\$ -	\$ 4,996

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

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

**NOTE 1 - NATURE OF OPERATIONS**

**(a) ORGANIZATION**

The San Gabriel Valley Council Boy Scouts of America (the Council), located in Pasadena, 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 approximately young men ages 7-21 and young women ages 14-21.

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

The Council has an Endowment Trust Fund (the Trust Fund) established for the benefit of the Council. The Trust Fund has been incorporated and has qualified as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. The financial statements of the Council are shown on a consolidated basis with those of the Trust Fund. All significant inter-organization transactions and balances have been eliminated upon consolidation.

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.

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 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 five districts and the Exploring Division. The Scouting membership of the Council as of June 30, 2015 is as follows:

Tiger Cubs	13
Cub Scouts	1,277
Webelos	1,575
Boy Scouts	4,005
Venturers	361
<b>TOTAL BOY SCOUTS OF AMERICA YOUTH</b>	<b>7,231</b>
Exploring	1,850
<b>TOTAL MEMBERSHIP</b>	<b>9,081</b>

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) BASIS OF PRESENTATION**

The accompanying consolidated 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 \$1,526,238 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 changes in net assets as net assets released from purpose or time restrictions. At June 30, 2015, the Council had \$228,571 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 \$3,026,269 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:

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(c) FUND ACCOUNTING** (continued)

**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. A portion of the 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.

**(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 \$152,657.

**(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.

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(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 \$40,952 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) 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.

**(k) 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.

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(l) 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.

**(m) 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
Leasehold Improvements	10-20 Years or Life of Lease
Office Furniture and Equipment	3-10 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.

**(n) DEFERRED INCOME**

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.

**(o) 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 \$10,000 were received which satisfied the criteria for recognition during the six months ended June 30, 2015.

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(p) 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.

**(q) 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 year, 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.

**(r) USE OF ESTIMATES**

The preparation of consolidated 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.

**(s) 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 consolidated financial statements. The evaluation was conducted through June 21, 2016, the date these consolidated financial statements were available to be issued.

On July 1, 2015, the Council merged with the Boy Scouts of America, Los Angeles Area Council 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.



**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 3 - PLEDGES RECEIVABLE**

Pledges receivable are due to be received as follows:

Due in 1 Year	\$ 117,087
Less: Allowance for Uncollectible Pledges	<u>(40,952)</u>
<b><i>PLEDGES RECEIVABLE (NET)</i></b>	<b><u>\$ 76,135</u></b>

**NOTE 4 - INVESTMENTS**

Investments consist of the following:

Cash and Cash Equivalents	\$ 815,818
Fixed Income	780,267
U.S Equities	<u>1,497,701</u>
<b><i>TOTAL INVESTMENTS</i></b>	<b><u>\$ 3,093,786</u></b>

Investment income and expenses recorded in the accompanying financial statements consist of the following:

Interest and Dividends	\$ 29,550
Unrealized Losses	(135,480)
Realized Gains	287,400
Investment Fees	<u>(12,281)</u>
<b><i>TOTAL INVESTMENT INCOME (NET)</i></b>	<b><u>\$ 169,189</u></b>

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).

**SAN GABRIEL VALLEY COUNCIL,  
BOY SCOUTS OF AMERICA**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 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 June 30, 2015, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	Total	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)
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 815,818	\$ 815,818	\$ -	\$ -
Fixed Income	780,267	780,267	-	-
U.S Equities	1,497,701	1,497,701	-	-
<b>TOTAL INVESTMENTS</b>	3,093,786	3,093,786	-	-
Beneficial Interest in Charitable Remainder Trust	37,895	-	-	37,895
Beneficial Interest in Perpetual Trust	1,458,721	-	-	1,458,721
<b>TOTAL</b>	\$ 4,590,402	\$ 3,093,786	\$ -	\$ 1,496,616
<b>Liability:</b>				
Liability Under Charitable Remainder Trust	\$ 14,969	\$ -	\$ -	\$ 14,969

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 fiscal year. The fair value of the beneficial interest within Level 3 inputs was determined as described in Notes 2(k) and 2(l). 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.

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)		
	Temporarily Restricted	Permanently Restricted	Total
Beneficial Interest in Charitable Remainder Trust (Net)		Beneficial Interest in Perpetual Trust	
Beginning Balance	\$ 23,263	\$ 1,469,176	\$ 1,492,439
Change in Beneficial Interest	(337)	(10,455)	(10,792)
<b>ENDING BALANCE</b>	\$ 22,926	\$ 1,458,721	\$ 1,481,647

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 255,829
Land Improvements	564,039
Buildings	4,011,858
Leasehold Improvements	2,786,092
Furniture and Equipment	692,615
Vehicles	105,965
Aquatics Equipment	35,297
Construction in Process	<u>3,500</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>8,455,195</b>
Less: Accumulated Depreciation	<u>(5,904,603)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$ 2,550,592</u></b>

Depreciation expense for the six months ended June 30, 2015 was \$133,818.

**NOTE 7 - LINE OF CREDIT**

At June 30, 2015, the Council had a \$1,600,000 line of credit arrangement with a bank, secured by a security interest in all investment accounts at the bank, which is due upon demand. At June 30, 2015, the interest rate on the line of credit was 1.19%. The outstanding balance as of June 30, 2015 was \$697,279.

**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**

- **Organization Headquarters** - The Council leases the land on which its Council headquarters is 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.

**SAN GABRIEL VALLEY COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 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 June 30, 2015, the Council has about \$296,000 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 June 30, 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 June 30, 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 June 30, 2015 was \$448,988 which is included in camping revenue.

Future minimum lease payments are as follows:

**Years Ending June 30**

2016	\$ 178,353
2017	186,455
2018	<u>95,302</u>
<b>TOTAL</b>	<b><u>\$ 460,110</u></b>

Total rent expense for the six months ended June 30, 2015 was \$91,256, which is included in occupancy on the statement of functional expenses.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

Urban Emphasis	\$ 200,000
Time Restricted	<u>28,571</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 228,571</u></b>

**SAN GABRIEL VALLEY COUNCIL,  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at June 30, 2015 total \$3,026,269. 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.

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 to fund 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.

**SAN GABRIEL VALLEY COUNCIL,  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 11 - ENDOWMENTS** (continued)

<b>Endowment Net Asset Composition by Type of Fund at June 30, 2015</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ -	\$ 1,567,548	\$ 1,567,548
Board-Designated	1,526,238	-	-	1,526,238
<b><i>TOTAL ENDOWMENT NET ASSETS</i></b>	<b>\$ 1,526,238</b>	<b>\$ -</b>	<b>\$ 1,567,548</b>	<b>\$ 3,093,786</b>
<b>Changes in Endowment Net Assets for the Six Months Ended June 30, 2015</b>				
Endowment Net Assets - January 1, 2015	\$ 1,395,858	\$ -	\$ 1,560,236	\$ 2,956,094
Contributions	-	-	7,312	7,312
Investment Income	8,154	9,115	-	17,269
Realized Investment Gain	135,709	151,691	-	287,400
Unrealized Investment Loss	(63,973)	(71,507)	-	(135,480)
Appropriated Expenditures	(56,351)	(89,299)	-	(145,650)
Transfers	106,841	-	-	106,841
<b><i>ENDOWMENT NET ASSETS - JUNE 30, 2015</i></b>	<b>\$ 1,526,238</b>	<b>\$ -</b>	<b>\$ 1,567,548</b>	<b>\$ 3,093,786</b>

**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 San Gabriel Valley 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 month ended June 30, 2015 was \$24,226.

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.

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

**NOTE 12 - EMPLOYEE BENEFIT PLANS** (continued)

**(a) RETIREMENT PLAN** (continued)

In addition, the Council has a 403(b) defined contribution plan under which the Council may make matching contributions in amounts determined annually. Employee contributions vest immediately. Employees may contribute up to the maximum permitted by Internal Revenue Service regulations. The Council did not make matching contributions during the six months ended June 30, 2015.

**(b) 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 health care plan. During the six months ended June 30, 2015, the Council incurred expenses of \$110,248 on behalf of its employees to the National Council related to the health care plan.

**NOTE 13 - SCOUT SHOP**

The Council operates a Scout Shop at its headquarters in Pasadena, California. 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 \$25,538, which are included in other revenue in the statements of changes in net assets.

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**(a) 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 \$32,469 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.

**(b) 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 \$54,098 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.