

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

FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2014 AND 2013

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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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 statements of financial position as of December 31, 2014 and 2013, and the related statements of changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

May 12, 2015
Los Angeles, California

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

Assets	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2014	2013	2014	2013	2014	2013	2014	2013
Current Assets:								
Cash and Cash Equivalents	\$ 388,212	\$ 288,308	\$ -	\$ -	\$ -	\$ -	\$ 388,212	\$ 288,308
Accounts Receivable	34,983	500	-	-	-	111,234	34,983	111,734
Pledges Receivable (Net)	114,688	15,591	92,561	156,837	3,077	6,077	210,326	178,505
Inventories	-	22,785	-	-	-	-	-	22,785
Prepaid Expenses	159,326	-	-	-	-	-	159,326	-
Total Current Assets	697,209	327,184	92,561	156,837	3,077	117,311	792,847	601,332
Non-Current Assets:								
Pledges Receivable	65,000	-	20,000	20,000	-	-	85,000	20,000
Long-Term Investments	-	-	-	-	16,966,374	18,071,053	16,966,374	18,071,053
Beneficial Interest in Perpetual Trust	-	-	-	-	743,668	759,204	743,668	759,204
Property and Equipment (Net)	-	-	28,535,151	29,485,154	-	-	28,535,151	29,485,154
Gift Annuity Receivable	-	-	-	-	7,153	7,153	7,153	7,153
Long-Term Inter-Fund Loans	-	(1,604,798)	-	(620,202)	-	2,225,000	-	-
Total Non-Current Assets	65,000	(1,604,798)	28,555,151	28,884,952	17,717,195	21,062,410	46,337,346	48,342,564
Total Assets	\$ 762,209	\$ (1,277,614)	\$ 28,647,712	\$ 29,041,789	\$ 17,720,272	\$ 21,179,721	\$ 47,130,193	\$ 48,943,896
Liabilities and Net Assets								
Current Liabilities:								
Accounts Payable	\$ 194,577	\$ 213,953	\$ -	\$ -	\$ -	\$ -	\$ 194,577	\$ 213,953
Accrued Expenses	21,929	62,377	16,375	18,013	-	-	38,304	80,390
Custodial Accounts	316,328	279,585	-	-	-	-	316,328	279,585
Deferred Income	96,013	82,825	-	-	-	-	96,013	82,825
Notes Payable	-	-	270,000	260,000	-	-	270,000	260,000
Total Current Liabilities	628,847	638,740	286,375	278,013	-	-	915,222	916,753
Non-Current Liabilities:								
Interest Rate Swap Contract Liability	-	-	2,200,081	1,267,061	-	-	2,200,081	1,267,061
Notes Payable - Long-Term Portion	-	-	10,300,000	10,570,000	-	-	10,300,000	10,570,000
Total Non-Current Liabilities	-	-	12,500,081	11,837,061	-	-	12,500,081	11,837,061
Total Liabilities	628,847	638,740	12,786,456	12,115,074	-	-	13,415,303	12,753,814
Net Assets:								
Unrestricted	(7,953)	(1,917,319)	15,861,256	16,926,715	12,848,337	17,292,250	28,701,640	32,301,646
Temporarily Restricted	141,315	965	-	-	-	-	141,315	965
Permanently Restricted	-	-	-	-	4,871,935	3,887,471	4,871,935	3,887,471
Total Net Assets	133,362	(1,916,354)	15,861,256	16,926,715	17,720,272	21,179,721	33,714,890	36,190,082
Total Liabilities and Net Assets	\$ 762,209	\$ (1,277,614)	\$ 28,647,712	\$ 29,041,789	\$ 17,720,272	\$ 21,179,721	\$ 47,130,193	\$ 48,943,896

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended December 31, 2014 and 2013

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2014	2013	2014	2013	2014	2013	2014	2013
Changes in Unrestricted Net Assets								
Public Support and Revenue								
Direct Support								
Friends of Scouting	\$ 527,641	\$ 477,764	\$ -	\$ -	\$ -	\$ -	\$ 527,641	\$ 477,764
Capital Campaign	-	-	-	125	-	-	-	125
Special Fundraising Events - Gross	447,151	251,612	-	-	-	-	447,151	251,612
Less: Cost of Direct Benefit to Participants	(64,777)	(46,233)	-	-	-	-	(64,777)	(46,233)
Special Fundraising Events - Net	382,374	205,379	-	-	-	-	382,374	205,379
Foundations and Trusts	208,700	297,915	10,000	-	-	-	218,700	297,915
Donated Services and Rent	608,090	224,558	-	-	-	-	608,090	224,558
Legacies and Bequests	15,162	14,591	-	-	-	-	15,162	14,591
Government Revenue	-	2,456	-	-	-	-	-	2,456
Other Direct Support	134,937	135,158	-	-	-	-	134,937	135,158
Total Direct Support	1,876,904	1,357,821	10,000	125	-	-	1,886,904	1,357,946
Other Revenue, Gains and (Losses)								
Product Sales - Gross	117,676	148,969	-	-	-	-	117,676	148,969
Less: Cost of Goods Sold	(57,022)	(60,147)	-	-	-	-	(57,022)	(60,147)
Product Sales - Net	60,654	88,822	-	-	-	-	60,654	88,822
Investment Income (Net)	931,208	937,502	-	-	(7,354)	1,544,950	923,854	2,482,452
Camping Revenue	1,653,531	1,867,417	-	-	-	-	1,653,531	1,867,417
Activity Revenue	154,261	601,508	-	-	-	-	154,261	601,508
Other Revenue	268,280	93,837	-	16,304	-	228,564	268,280	338,705
Rental Income	58,837	55,059	-	-	-	-	58,837	55,059
Gain (Loss) on Interest Rate Swap Contract	-	-	(933,020)	1,288,578	-	-	(933,020)	1,288,578
Total Other Revenue, Gains and (Losses)	3,126,771	3,644,145	(933,020)	1,304,882	(7,354)	1,773,514	2,186,397	6,722,541
Net Assets Released from Restrictions								
Release from Endowment	-	-	-	-	207,691	487,972	207,691	487,972
Release from Foundations	-	50,000	19,567	499,875	-	-	19,567	549,875
Total Releases of Net Assets	-	50,000	19,567	499,875	207,691	487,972	227,258	1,037,847
Total Public Support and Revenue	\$ 5,003,675	\$ 5,051,966	\$ (903,453)	\$ 1,804,882	\$ 200,337	\$ 2,261,486	\$ 4,300,559	\$ 9,118,334

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENTS OF CHANGES IN NET ASSETS (continued)
For the Years Ended December 31, 2014 and 2013

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2014	2013	2014	2013	2014	2013	2014	2013
Expenses								
Program Services	\$ 4,989,951	\$ 5,602,651	\$ 1,580,561	\$ 1,715,854	\$ -	\$ 13,119	\$ 6,570,512	\$ 7,331,624
Support Services								
Management and General	473,252	468,695	84,369	278,474	-	7,865	557,621	755,034
Fundraising	682,709	504,862	1,897	115,749	-	9,523	684,606	630,134
Total Support Services	<u>1,155,961</u>	<u>973,557</u>	<u>86,266</u>	<u>394,223</u>	<u>-</u>	<u>17,388</u>	<u>1,242,227</u>	<u>1,385,168</u>
Total Functional Expenses	6,145,912	6,576,208	1,666,827	2,110,077	-	30,507	7,812,739	8,716,792
Charter and National Service Fees	<u>87,826</u>	<u>87,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,826</u>	<u>87,626</u>
Total Expenses	<u>6,233,738</u>	<u>6,663,834</u>	<u>1,666,827</u>	<u>2,110,077</u>	<u>-</u>	<u>30,507</u>	<u>7,900,565</u>	<u>8,804,418</u>
Change in Unrestricted Net Assets	<u>\$ (1,230,063)</u>	<u>\$ (1,611,868)</u>	<u>\$ (2,570,280)</u>	<u>\$ (305,195)</u>	<u>\$ 200,337</u>	<u>\$ 2,230,979</u>	<u>\$ (3,600,006)</u>	<u>\$ 313,916</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENTS OF CHANGES IN NET ASSETS (continued)
For the Year Ended December 31, 2014 and 2013

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2014	2013	2014	2013	2014	2013	2014	2013
Change in Temporarily Restricted Net Assets								
Direct Support								
Investment Income	\$ -	\$ -	\$ -	\$ -	\$ 207,691	\$ 487,972	\$ 207,691	\$ 487,972
Capital Contributions	-	-	19,567	-	-	-	19,567	-
Foundations, Trusts, and Memorials	140,350	965	-	-	-	-	140,350	965
Net Assets Released From Restrictions								
Release from Endowment	-	-	-	-	(207,691)	(487,972)	(207,691)	(487,972)
Release from Foundations	-	(50,000)	(19,567)	(499,875)	-	-	(19,567)	(549,875)
Change in Temporarily Restricted Net Assets	140,350	(49,035)	-	(499,875)	-	-	140,350	(548,910)
Change in Permanently Restricted Net Assets								
Direct Support								
Foundations and Trusts	-	-	-	-	1,000,000	-	1,000,000	-
Other Direct Support	-	-	-	-	-	-	-	-
Other Revenue, Gains and (Losses)								
Change in Value of Beneficial Interest in Perpetual Trust	-	-	-	-	(15,536)	39,777	(15,536)	39,777
Net Assets Released From Restrictions								
Release from Beneficial Interest in Perpetual Trust	-	-	-	-	-	-	-	-
Change in Permanently Restricted Net Assets	-	-	-	-	984,464	39,777	984,464	39,777
Change in Net Assets	(1,089,713)	(1,660,903)	(2,570,280)	(805,070)	1,184,801	2,270,756	(2,475,192)	(195,217)
Net Assets, Beginning of Year								
Unrestricted	(1,917,319)	(6,541,306)	16,926,715	18,954,689	17,292,250	19,574,347	32,301,646	31,987,730
Temporarily Restricted	965	50,000	-	499,875	-	-	965	549,875
Permanently Restricted	-	-	-	-	3,887,471	3,847,694	3,887,471	3,847,694
Total Net Assets, Beginning of Year	(1,916,354)	(6,491,306)	16,926,715	19,454,564	21,179,721	23,422,041	36,190,082	36,385,299
Transfers	3,139,429	6,235,855	1,504,821	(1,722,779)	(4,644,250)	(4,513,076)	-	-
Net Assets, End of Year								
Unrestricted	(7,953)	(1,917,319)	15,861,256	16,926,715	12,848,337	17,292,250	28,701,640	32,301,646
Temporarily Restricted	141,315	965	-	-	-	-	141,315	965
Permanently Restricted	-	-	-	-	4,871,935	3,887,471	4,871,935	3,887,471
Total Net Assets, End of Year	\$ 133,362	\$ (1,916,354)	\$ 15,861,256	\$ 16,926,715	\$ 17,720,272	\$ 21,179,721	\$ 33,714,890	\$ 36,190,082

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 Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	2014
Salaries	\$ 2,032,453	\$ 252,079	\$ 332,518	\$ 2,617,050
Employee Benefits	261,427	22,750	30,359	314,536
Payroll Taxes	285,546	23,788	30,584	339,918
Employee Related Expenses	-	-	-	-
Total Employee Compensation	2,579,426	298,617	393,461	3,271,504
Other Expenses				
Professional Fees	513,250	61,012	76,972	651,234
Supplies	674,352	3,003	11,088	688,443
Telephone	56,187	2,355	3,853	62,395
Postage and Shipping	20,450	1,415	10,465	32,330
Occupancy	650,758	7,814	10,046	668,618
Rental and Maintenance of Equipment	49,774	181	45,794	95,749
Printing and Publication	10,341	233	29,193	39,767
Travel	145,504	2,957	10,890	159,351
Conferences and Meeting	18,593	2,736	2,343	23,672
Specific Assistance to Individuals	152,111	-	-	152,111
Insurance	137,732	10,392	13,361	161,485
Recognition Awards	27,117	977	13,922	42,016
Interest Expense	467,081	38,923	50,044	556,048
Other Expenses	42,622	125,530	11,277	179,429
Total Other Expenses	2,965,872	257,528	289,248	3,512,648
Expenses Before Depreciation	5,545,298	556,145	682,709	6,784,152
Depreciation of Building/Equipment	1,025,214	1,476	1,897	1,028,587
Total Functional Expenses	\$ 6,570,512	\$ 557,621	\$ 684,606	\$ 7,812,739
Functional Expense Percentage	84%	7%	9%	100%

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 Year Ended December 31, 2013

	Program Services	Management and General	Fundraising	2013
Salaries	\$ 2,269,048	\$ 103,812	\$ 280,685	\$ 2,653,545
Employee Benefits	266,814	22,234	28,587	317,635
Payroll Taxes	277,954	23,163	29,781	330,898
Employee Related Expenses	-	33,053	-	33,053
Total Employee Compensation	<u>2,813,816</u>	<u>182,262</u>	<u>339,053</u>	<u>3,335,131</u>
Other Expenses				
Professional Fees	230,607	314,457	43,590	588,654
Supplies	1,106,741	4,092	8,860	1,119,693
Telephone	77,054	3,665	6,517	87,236
Postage and Shipping	17,965	1,287	25,930	45,182
Occupancy	638,122	8,015	10,305	656,442
Rental and Maintenance of Equipment	31,641	-	12,072	43,713
Printing and Publication	11,715	360	21,805	33,880
Travel	353,079	47,858	42,835	443,772
Conferences and Meeting	142,222	2,763	3,173	148,158
Specific Assistance to Individuals	185,311	-	-	185,311
Insurance	135,590	10,227	13,149	158,966
Recognition Awards	10,301	-	5,077	15,378
Interest Expense	494,429	41,202	52,975	588,606
Other Expenses	59,083	137,359	42,881	239,323
Total Other Expenses	<u>3,493,860</u>	<u>571,285</u>	<u>289,169</u>	<u>4,354,314</u>
Expenses Before Depreciation	<u>6,307,676</u>	<u>753,547</u>	<u>628,222</u>	<u>7,689,445</u>
Depreciation of Building/Equipment	<u>1,023,948</u>	<u>1,487</u>	<u>1,912</u>	<u>1,027,347</u>
Total Functional Expenses	<u>\$ 7,331,624</u>	<u>\$ 755,034</u>	<u>\$ 630,134</u>	<u>\$ 8,716,792</u>
Functional Expense Percentage	84%	9%	7%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

BOY SCOUTS OF AMERICA, LOS ANGELES AREA COUNCIL

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total Funds</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:								
Change in Net Assets	\$ (1,089,713)	\$ (1,660,903)	\$ (2,570,280)	\$ (805,070)	\$ 1,184,801	\$ 2,270,756	\$ (2,475,192)	\$ (195,217)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:								
Transfers	3,139,429	6,235,855	1,504,821	(1,722,779)	(4,644,250)	(4,513,076)	-	-
Depreciation	-	-	1,028,587	1,027,347	-	-	1,028,587	1,027,347
Reinvested Interest and Dividends	-	-	-	-	(325,996)	(274,274)	(325,996)	(274,274)
Realized and Unrealized Gains on Investments	-	-	-	-	(795,662)	(2,681,808)	(795,662)	(2,681,808)
Increase (Decrease) in Obligation Under Interest Rate Swap Contract	-	-	933,020	(1,288,578)	-	-	933,020	(1,288,578)
Write-off of Bond Issuance Costs	-	-	-	386,460	-	-	-	386,460
Loss on Uncollectible Pledges Receivable	39,526	-	82,893	138,466	-	-	122,419	138,466
Change in Value of Beneficial Interest in Perpetual Trust	-	-	-	-	15,536	(39,777)	15,536	(39,777)
Donations Restricted for Long-Term Purposes	-	-	-	-	(1,000,000)	-	(1,000,000)	-
Changes in Operating Assets and Liabilities:								
(Increase) Decrease in Accounts Receivable	(34,483)	48,550	-	-	111,234	(111,234)	76,751	(62,684)
(Increase) Decrease in Bequest Receivable	-	63,754	-	-	-	-	-	63,754
(Increase) Decrease in Pledges Receivable	(203,623)	73,557	(18,617)	(28,523)	3,000	268,923	(219,240)	313,957
(Increase) Decrease in Inventories	22,785	(2,241)	-	-	-	-	22,785	(2,241)
(Increase) Decrease in Prepaid Expenses	(159,326)	248,611	-	-	-	-	(159,326)	248,611
Increase (Decrease) in Accounts Payable	(19,376)	(50,724)	-	(1,541)	-	-	(19,376)	(52,265)
Increase (Decrease) in Accrued Liabilities	(40,448)	(117,716)	(1,638)	10,906	-	-	(42,086)	(106,810)
Increase (Decrease) in Custodial Accounts	36,743	(140,459)	-	-	-	8,573	36,743	(131,886)
Increase (Decrease) in Deferred Revenue	13,188	30,708	-	-	-	-	13,188	30,708
Increase (Decrease) in Interfund Loan	(1,604,798)	(4,631,057)	(620,202)	2,342,981	2,225,000	2,288,076	-	-
Net Cash Provided by (Used in) Operating Activities	99,904	97,935	338,584	59,669	(3,226,337)	(2,783,841)	(2,787,849)	(2,626,237)
Cash Flows from Investing Activities:								
Purchase of Property and Equipment	-	-	(78,584)	(592,449)	-	-	(78,584)	(592,449)
Sale of Investments	-	-	-	-	58,466,581	28,942,923	58,466,581	28,942,923
Purchase of Investments	-	-	-	-	(56,240,244)	(26,159,082)	(56,240,244)	(26,159,082)
Net Cash Provided by (Used in) Investing Activities	-	-	(78,584)	(592,449)	2,226,337	2,783,841	2,147,753	2,191,392
Cash Flows from Financing Activities:								
Decrease in Restricted Cash from Bonds Payable	-	-	-	113,920	-	-	-	113,920
Donations Restricted for Long-Term Purposes	-	-	-	-	1,000,000	-	1,000,000	-
Proceeds from Notes Payable	-	-	-	11,080,000	-	-	-	11,080,000
Payments on Notes Payable	-	-	(260,000)	(250,000)	-	-	(260,000)	(250,000)
Payments on Bond Payable	-	-	-	(11,320,000)	-	-	-	(11,320,000)
Net Cash Provided by (Used in) Financing Activities	-	-	(260,000)	(376,080)	1,000,000	-	740,000	(376,080)
Net Increase (Decrease) in Cash and Cash Equivalents	99,904	97,935	-	(908,860)	-	-	99,904	(810,925)
Cash and Cash Equivalents, Beginning of Year	288,308	190,373	-	908,860	-	-	288,308	1,099,233
Cash and Cash Equivalents, End of Year	\$ 388,212	\$ 288,308	-	\$ -	\$ -	\$ -	\$ 388,212	\$ 288,308
Supplemental Disclosure:								
Operating Activities Reflects Interest Paid of:	\$ -	\$ -	\$ 556,048	\$ 588,606	\$ -	\$ -	\$ 556,048	\$ 588,606

The Accompanying Notes are an Integral Part of These Financial Statements

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 - NATURE OF OPERATIONS

(a) ORGANIZATION

Boy Scouts of America, Los Angeles Area Council (the Council) serves sixty-four communities in Los Angeles County and provides services to young men ages 7-21, and young women ages 14-21. The Scouting program facilitates meaningful contact and communication among youth, parents, and other community organizations (partners) to help young people adopt strong values and life skills. The program presents activities which are fun, interesting, and provide valuable experiences directed at the maturity and interests of the young people at their appropriate age and ability levels. The Council also operates the Learning for Life program, which was developed to meet the critical need for character education in schools by searching for alternatives to values based classroom instruction. The Council operates four camps, two owned and two leased, which serve as training grounds to accomplish its mission.

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.
- ***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.

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

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 1 - NATURE OF OPERATIONS (continued)

(b) MEMBERSHIP AND CAMPING STATISTICS

The Council serves Los Angeles County through five districts and the Exploring Division. All aspects of scouting are performed by fifteen full-time professionals, fourteen support staff, and 5,732 registered volunteers, as well as countless parents and friends. The Scouting membership of the Council as of December 31 is as follows:

	2014	2013
Tiger Cubs	461	417
Cub Scouts	1,738	1,845
Webelos	1,851	2,341
Boy Scouts	3,908	4,270
Varsity Scouts	92	147
Venturers	434	2,684
Sea Scouts	6	6
<i>TOTAL BOY SCOUTS OF AMERICA YOUTH</i>	8,490	11,710
Learning for Life (Exploring)	1,315	1,455
<i>TOTAL MEMBERSHIP</i>	9,805	13,165

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.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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 December 31, 2014 and 2013, the Council had \$141,315 and \$965, respectively, of temporarily restricted net assets.
- **Permanently Restricted.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Council to expend all of the income (or other economic benefits) derived from the donated assets. At December 31, 2014 and 2013, the Council has \$4,871,935 and \$3,887,471, respectively, 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
December 31, 2014 and 2013**

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 December 31, 2014 and 2013, cash held in custodial accounts totaled \$316,328 and \$279,585, respectively.

(f) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At December 31, 2014 and 2013, 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 year 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 \$339,821 and \$261,753 at December 31, 2014 and 2013, respectively.

(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
December 31, 2014 and 2013**

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) INTERFUND LOANS

The interfund loans at December 31, 2013 resulted from the Endowment Fund and the Capital Fund making advances of surplus cash funds to the Operating Fund. There were no interfund loans at December 31, 2014.

(l) 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.

(m) 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.

(n) 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
December 31, 2014 and 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 (trustee of the bonds).

(p) 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.

(q) DEFERRED REVENUE

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

(r) 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 \$608,090 and \$224,558 were received which satisfied the criteria for recognition during the years ended December 31, 2014 and 2013, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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 years ended December 31, 2014 and 2013. 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.

(t) 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.

(u) 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.

(v) SUBSEQUENT EVENTS

The Council has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 12, 2015, the date these financial statements were available to be issued.

On March 21, 2015, the Council and the Boy Scouts of America, San Gabriel Valley Council chartered organization representatives voted to merge the two councils into one in order to consolidate and strengthen Scouting efforts in the Los Angeles County area. The projected merger date is July 1, 2015.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are due to be received as follows:

	2014	2013
Due in 1 Year	\$ 550,147	\$ 440,258
Due in 2-5 Years	85,000	20,000
<i>GROSS PLEDGES RECEIVABLE</i>	635,147	460,258
Less: Allowance for Uncollectible Pledges	(339,821)	(261,753)
<i>PLEDGES RECEIVABLE (NET)</i>	\$ 295,326	\$ 198,505

NOTE 4 - INVESTMENTS

Investments consist of the following:

	2014	2013
Cash and Cash Equivalents	\$ 1,591,641	\$ 146,567
Corporate Bonds	6,174,304	7,675,238
Corporate Bonds – Mutual Funds	3,429,384	-
U.S. Government Bonds	-	163,601
U.S. Treasury Securities	807,662	177,369
Exchange-Traded Products (Fixed Income)	-	1,319,220
U.S. Equities	2,911,187	4,049,150
Global Equities – Mutual Funds	1,727,144	1,401,456
Hedge Funds	-	2,935,257
Private Equity	325,052	203,195
<i>TOTAL INVESTMENTS</i>	\$ 16,966,374	\$ 18,071,053

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

	2014	2013
Interest and Dividends	\$ 380,257	\$ 410,891
Unrealized Gains (Losses)	(566,626)	1,170,234
Realized Gains	1,362,288	1,551,351
Investment Fees	(59,910)	(122,275)
<i>TOTAL INVESTMENT INCOME (NET)</i>	\$ 1,116,009	\$ 3,010,201

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.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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).

The following table presents information about the Council's assets that are measured at fair value on a recurring basis at December 31, 2014, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	Year Ended December 31, 2014	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and Cash Equivalents	\$ 1,591,641	\$ 1,591,641	\$ -	\$ -
Corporate Bonds	6,174,304	-	6,174,304	-
Corporate Bonds - Mutual Funds	3,429,384	3,429,384	-	-
U.S. Treasury Securities	807,662	-	807,662	-
U.S. Equities	2,911,187	2,911,187	-	-
Global Equities - Mutual Funds	1,727,144	1,727,144	-	-
Private Equity	325,052	-	-	325,052
TOTAL INVESTMENTS	16,966,374	9,659,356	6,981,966	325,052
Beneficial Interest in Perpetual Trust	743,668	-	-	743,668
TOTAL	\$ 17,710,042	\$ 9,659,356	\$ 6,981,966	\$ 1,068,720
Liability:				
Swap Contract Liability	\$ 2,200,081	\$ -	\$ 2,200,081	\$ -

The following table presents information about the Council's assets that are measured at fair value on a recurring basis at December 31, 2013, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

	Year Ended December 31, 2013	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	\$ 146,567	\$ 146,567	\$ -	\$ -
Corporate Bonds	7,675,238	-	7,675,238	-
U.S. Government Bonds	163,601	-	163,601	-
U.S. Treasury Securities	177,369	-	177,369	-
Exchange-Traded Products (Fixed Income)	1,319,220	1,319,220	-	-
U.S. Equities	4,049,150	4,049,150	-	-
Global Equities	1,401,456	1,401,456	-	-
Hedge Funds	2,935,257	-	-	2,935,257
Private Equity	203,195	-	-	203,195
TOTAL INVESTMENTS	18,071,053	6,916,393	8,016,208	3,138,452
Beneficial Interest in Perpetual Trust	759,204	-	-	759,204
TOTAL	\$ 18,830,257	\$ 6,916,393	\$ 8,016,208	\$ 3,897,656
Liability:				
Swap Contract Liability	\$ 1,267,061	\$ -	\$ 1,267,061	\$ -

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 values of the interest rate swaps with Level 2 inputs were derived from third-party pricing models using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The fair value estimates are based on information available as of December 31, 2014 and 2013, respectively. 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(n). 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 year ended December 31, 2014.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Changes in Level 3 measurements for the year ended December 31, 2014 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Unrestricted	Permanently Restricted	Total
	Private Equity	Beneficial Interest in Perpetual Trust	
Beginning Balance	\$ 3,138,452	\$ 759,204	\$ 3,897,656
Sales/Withdrawals	(2,882,726)	-	(2,882,726)
Purchases	112,939	-	112,939
Net Realized and Unrealized Losses	(82,669)	-	(82,669)
Interest and Dividend Income	39,056	-	39,056
Change in Beneficial Interest	-	(15,536)	(15,536)
ENDING BALANCE	\$ 325,052	\$ 743,668	\$ 1,068,720

Changes in Level 3 measurements for the year ended December 31, 2013 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Unrestricted	Permanently Restricted	Total
	Hedge Funds and Private Equity	Beneficial Interest in Perpetual Trust	
Beginning Balance	\$ 3,156,549	\$ 719,427	\$ 3,875,976
Sales/Withdrawals	(155,301)	-	(155,301)
Purchases	71,250	-	71,250
Net Realized and Unrealized Gains	65,954	-	65,954
Change in Beneficial Interest	-	39,777	39,777
ENDING BALANCE	\$ 3,138,452	\$ 759,204	\$ 3,897,656

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 a hedge funds are invested on an unlevered basis predominantly in senior secured loans to below investment grade U.S. and non-U.S. obligors. The hedge fund may also invest in other debt securities including but not limited to second lien loans, high yield bonds, and collateralized loan obligations. There are no unfunded commitments at December 31, 2013.

Investments in private equity are comprised of a private equity fund that invests in commercial stage health care companies and products. These investments cannot be redeemed. The funds provide distributions only upon liquidation of the underlying assets. The fund managers estimate the fund assets will be liquidated over seven to ten years. It is probable that the investments will be sold at an amount different than their NAV. Unfunded commitments at December 31, 2014 amounted to \$120,463. Unfunded commitments at December 31, 2013 amounted to \$262,405.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Land	\$ 931,630	\$ 931,630
Land Improvements	5,290,344	5,290,344
Buildings	27,980,885	27,980,885
Leasehold Improvements	3,069,020	3,069,020
Office Furniture and Equipment	3,286,100	3,286,100
Transportation Equipment	274,641	271,014
Construction in Process	82,882	7,700
	40,915,502	40,836,693
Less: Accumulated Depreciation	(12,380,351)	(11,351,539)
	\$ 28,535,151	\$ 29,485,154

Depreciation expense for the years ended December 31, 2014 and 2013 was \$1,028,587 and \$1,027,347, respectively.

NOTE 7 - NOTES PAYABLE

Notes payable at December 31, 2014 and 2013 consist of the following:

	2014	2013
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	\$ 5,317,500
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	5,382,500	5,512,500
	10,570,000	10,830,000
Less: Current Maturities	(270,000)	(260,000)
	\$ 10,300,000	\$ 10,570,000

The one-month LIBOR rate at December 31, 2014 and 2013 was 0.16%. Interest expense of \$556,048 and \$588,606 was recognized on the notes payable during the year ended December 31, 2014 and 2013, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 7 - NOTES PAYABLE (continued)

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

Years Ending December 31

2015	\$ 270,000
2016	<u>10,300,000</u>
TOTAL	<u>\$ 10,570,000</u>

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

The interest rate swap effectively fixes the interest rate [See Note 2(p)]. The outstanding interest rate swap agreement at December 31, 2014 and 2013 has the following terms:

	2014	2013
Notional Amount	\$10,770,000	\$11,000,000
Interest Rate (Receive)	67% of U.S. LIBOR	67% of U.S. LIBOR
Interest Rate (Pay)	3.256%	3.256%
Maturity	December 2038	December 2038
Long-Term Obligation under Interest Rate Swap	\$2,200,081	\$1,267,061

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 loss on the swap contract was \$933,020 for the year ended December 31, 2014. The gain on the swap contract was \$1,288,578 for the year ended December 31, 2013.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) CONTRACTS

The Council's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. Liabilities, if any, which may result from any governmental audits cannot be reasonably estimated and, accordingly, the Council has no provisions for the possible disallowance of program costs on its financial statements.

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(b) 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:

	2014	2013
2015 Centenoree Memorial	\$ 1,490	\$ 965
2015 Business Leaders Breakfast	19,825	
Multi-Year Pledges	120,000	-
<i>TOTAL TEMPORARILY RESTRICTED NET ASSETS</i>	\$ 141,315	\$ 965

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2014 and 2013 total \$4,871,935 and \$3,887,471, respectively. 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.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

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 years ended December 31, 2014 and 2013 was 5% of the market value of the endowments based on a twelve-quarter rolling average as of the end of each quarter.

**Endowment Net Asset
Composition by Type of
Fund at December 31, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ -	\$ 4,871,935	\$ 4,871,935
Board-Designated	12,848,337	-	-	12,848,337
TOTAL ENDOWMENT NET ASSETS	\$ 12,848,337	\$ -	\$ 4,871,035	\$ 17,720,272

**Changes in Endowment Net
Assets for the Year Ended
December 31, 2014**

Endowment Net Assets - Beginning of Year	\$ 17,292,250	\$ -	\$ 3,887,471	\$ 21,179,721
Contributions	-	-	1,000,000	1,000,000
Investment Income	266,360	60,923	-	327,283
Realized Investment Gain	1,112,244	250,290	-	1,362,534
Unrealized Investment Loss	(466,649)	(103,522)	(15,536)	(585,707)
Appropriated Expenditures	(711,618)	(207,691)	-	(919,309)
Transfers	(4,644,250)	-	-	(4,644,250)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 12,848,337	\$ -	\$ 4,871,935	\$ 17,720,272

**Endowment Net Asset
Composition by Type of
Fund at December 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ -	\$ 3,887,471	\$ 3,887,471
Board-Designated	17,292,250	-	-	17,292,250
TOTAL ENDOWMENT NET ASSETS	\$ 17,292,250	\$ -	\$ 3,887,471	\$ 21,179,721

**BOY SCOUTS OF AMERICA,
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**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 11 - ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets -				
Beginning of Year	\$ 19,574,347	\$ -	\$ 3,847,694	\$ 23,422,041
Contributions	209,849	-	-	209,849
Investment Income	235,702	46,332	-	282,034
Realized Investment Gain	1,302,002	255,932	-	1,557,934
Unrealized Investment Gain	944,749	185,708	39,777	1,170,234
Appropriated Expenditures	(461,323)	(487,972)	-	(949,295)
Transfers	(4,513,076)	-	-	(4,513,076)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 17,292,250	\$ -	\$ 3,887,471	\$ 21,179,721

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 fiscal years 2014 and 2013 was \$108,402 and \$94,363, respectively.

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.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 12 - EMPLOYEE BENEFIT PLANS (continued)

(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 years ended December 31, 2014 and 2013, the Council incurred expenses of \$314,536 and \$317,635, respectively, 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 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 2014 and 2013 amounted to \$58,837 and \$55,059, respectively, 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 companies whose principals or employees are also members of the Council's Board of Directors:

Name	Services	2014	2013
Birkholm Direct	Direct Mail and Consulting	\$ 40,833	\$ 71,868
Dentons US LLP	In-kind Legal Services	355,400	-

(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 \$87,826 and \$87,626 in service fees to the National Council during the years ended December 31, 2014 and 2013, respectively. 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.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013**

NOTE 14 - RELATED PARTY TRANSACTIONS (continued)

(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 \$353,900 and \$275,258 in registration fees to the National Council during the years ended December 31, 2014 and 2013, respectively. Due to timing differences, unremitted fees at the end of the year are included in the custodial account liability.