

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

**Consolidated Financial Statements
December 31, 2014 and 2013
And for the Years then Ended**

Together with Independent Auditor's Report

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

**December 31, 2014 and 2013
And for the Years then Ended**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of the San Gabriel Valley Council, Boy Scouts of America (the "Council"), as of December 31, 2014 and 2013, and the related consolidated 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. Management is also responsible for 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 audit 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 Council'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 Council'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council, as of December 31, 2014 and 2013, and the consolidated changes in net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, on March 21, 2015, the Council voted to merge with the Los Angeles Area Council. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Stanislawski & Harrison". The signature is written in black ink and is positioned above the printed name of the firm.

STANISLAWSKI & HARRISON

May 12, 2015

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals as of December 31, 2013)

ASSETS					
	Operating Fund	Capital Fund	Endowment Fund	Total	
				2014	2013
CURRENT ASSETS:					
Cash	\$ 551,803	\$ 28,961	\$ 26,500	\$ 607,264	\$ 906,522
Investments (Notes 2, 3, and 4)	-	-	2,993,874	2,993,874	2,689,085
Accounts receivable (Note 2)	312	-	-	312	54,063
Pledges receivable (Notes 2 and 5)	31,472	-	38,838	70,310	108,040
Inventories (Note 2)	29,439	-	-	29,439	25,250
Prepaid expenses	94,951	-	-	94,951	82,529
Interfund (payable) receivable (Note 2)	(829,687)	(70,313)	900,000	-	-
Total current assets	<u>(121,710)</u>	<u>(41,352)</u>	<u>3,959,212</u>	<u>3,796,150</u>	<u>3,865,489</u>
Land, building, and equipment, net (Notes 2 and 7)	-	2,685,171	-	2,685,171	2,927,732
Other assets (Notes 2, 4, and 6)	-	202,500	1,469,176	1,671,676	1,671,208
Total assets	<u>\$ (121,710)</u>	<u>\$ 2,846,319</u>	<u>\$ 5,428,388</u>	<u>\$ 8,152,997</u>	<u>\$ 8,464,429</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	\$ 258,963	\$ -	\$ -	\$ 258,963	\$ 443,652
Lines of credit (Note 8)	698,797	-	-	698,797	1,000,000
Custodial accounts	402,794	-	-	402,794	321,734
Deferred activity income	-	-	-	-	4,221
Deferred camp income	128,795	-	-	128,795	187,005
Deferred special event income	1,000	-	-	1,000	-
Total current liabilities	<u>1,490,349</u>	<u>-</u>	<u>-</u>	<u>1,490,349</u>	<u>1,956,612</u>
Annuity obligations	-	-	14,516	14,516	14,516
Total liabilities	<u>1,490,349</u>	<u>-</u>	<u>14,516</u>	<u>1,504,865</u>	<u>1,971,128</u>
Lease commitments (Note 11)					
NET ASSETS (Notes 2, 12, 13, and 14):					
Unrestricted accumulated deficit - undesignated	(1,623,089)	-	-	(1,623,089)	(1,120,123)
Unrestricted net assets - board designated	-	2,646,319	2,384,460	5,030,779	5,371,585
Total unrestricted net assets	<u>(1,623,089)</u>	<u>2,646,319</u>	<u>2,384,460</u>	<u>3,407,690</u>	<u>4,251,462</u>
Temporarily restricted net assets (Note 12)	11,030	200,000	-	211,030	222,925
Permanently restricted net assets (Note 13)	-	-	3,029,412	3,029,412	2,018,914
Total net assets	<u>(1,612,059)</u>	<u>2,846,319</u>	<u>5,413,872</u>	<u>6,648,132</u>	<u>6,493,301</u>
Total liabilities and net assets	<u>\$ (121,710)</u>	<u>\$ 2,846,319</u>	<u>\$ 5,428,388</u>	<u>\$ 8,152,997</u>	<u>\$ 8,464,429</u>

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Financial Position
December 31, 2013

ASSETS				
	Operating Fund	Capital Fund	Endowment Fund	Total
CURRENT ASSETS:				
Cash	\$ 876,940	\$ 29,557	\$ 25	\$ 906,522
Investments (Notes 2, 3, and 4)	-	-	2,689,085	2,689,085
Accounts receivable (Note 2)	54,063	-	-	54,063
Pledges receivable (Notes 2 and 5)	70,632	-	37,408	108,040
Inventories (Note 2)	25,250	-	-	25,250
Prepaid expenses	82,529	-	-	82,529
Interfund receivable (payable) (Note 2)	(250,000)	-	250,000	-
Total current assets	<u>859,414</u>	<u>29,557</u>	<u>2,976,518</u>	<u>3,865,489</u>
Land, building, and equipment, net (Notes 2 and 7)	-	2,927,732	-	2,927,732
Other assets (Notes 2, 4, and 6)	-	202,500	1,468,708	1,671,208
Total assets	<u>\$ 859,414</u>	<u>\$ 3,159,789</u>	<u>\$ 4,445,226</u>	<u>\$ 8,464,429</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 443,652	\$ -	\$ -	\$ 443,652
Lines of credit (Note 8)	1,000,000	-	-	1,000,000
Custodial accounts	321,734	-	-	321,734
Deferred activity income	4,221	-	-	4,221
Deferred camp income	187,005	-	-	187,005
Total current liabilities	<u>1,956,612</u>	<u>-</u>	<u>-</u>	<u>1,956,612</u>
Annuity obligations	-	-	14,516	14,516
Total liabilities	<u>1,956,612</u>	<u>-</u>	<u>14,516</u>	<u>1,971,128</u>
Lease commitments (Note 11)				
NET ASSETS (Notes 2, 12, 13, and 14):				
Unrestricted accumulated deficit - undesignated	(1,120,123)	-	-	(1,120,123)
Unrestricted net assets - board designated	-	2,959,789	2,411,796	5,371,585
Total unrestricted net assets	<u>(1,120,123)</u>	<u>2,959,789</u>	<u>2,411,796</u>	<u>4,251,462</u>
Temporarily restricted net assets (Note 12)	22,925	200,000	-	222,925
Permanently restricted net assets (Note 13)	-	-	2,018,914	2,018,914
Total net assets	<u>(1,097,198)</u>	<u>3,159,789</u>	<u>4,430,710</u>	<u>6,493,301</u>
Total liabilities and net assets	<u>\$ 859,414</u>	<u>\$ 3,159,789</u>	<u>\$ 4,445,226</u>	<u>\$ 8,464,429</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA
Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:					
Public support and revenue:					
Friends of Scouting	\$ 440,145	\$ -	\$ -	\$ 440,145	\$ 596,872
Provision for uncollectible pledges	(7,411)	-	-	(7,411)	(39,176)
Friends of Scouting, net	<u>432,734</u>	<u>-</u>	<u>-</u>	<u>432,734</u>	<u>557,696</u>
Project sales	-	-	-	-	685
Capital campaign	-	1,024	-	1,024	4,425
Special events revenue	344,791	-	-	344,791	331,985
Less: Cost of direct benefits	(133,408)	-	-	(133,408)	(77,226)
Special events, net of direct benefits	<u>211,383</u>	<u>-</u>	<u>-</u>	<u>211,383</u>	<u>254,759</u>
Legacies and bequests	-	-	23,865	23,865	5,395
Foundations and trusts	115,509	-	-	115,509	84,284
Other direct support	139	-	2,000	2,139	140,158
Total direct public support	<u>759,765</u>	<u>1,024</u>	<u>25,865</u>	<u>786,654</u>	<u>1,047,402</u>
Other revenue:					
Product sales	500,600	-	-	500,600	470,865
Less: Direct cost of merchandise sold	(145,109)	-	-	(145,109)	(141,402)
Less: Commissions paid to units	(187,111)	-	-	(187,111)	(183,067)
Product sales, net	<u>168,380</u>	<u>-</u>	<u>-</u>	<u>168,380</u>	<u>146,396</u>
Interest and dividends, net (Note 3)	30,252	29	50,440	80,721	98,806
Interfund interest and dividend allocation	130,288	-	(130,288)	-	-
Realized and unrealized gain on investments (Note 3)	-	-	62,393	62,393	271,448
Camping revenue	2,092,850	-	-	2,092,850	1,925,761
Activity revenue	172,404	-	-	172,404	430,155
Miscellaneous revenue	103,989	-	-	103,989	84,439
Total other revenue	<u>2,698,163</u>	<u>29</u>	<u>(17,455)</u>	<u>2,680,737</u>	<u>2,957,005</u>
Assets released from restrictions (Note 12)	20,925	-	-	20,925	27,935
Total revenue	<u>3,478,853</u>	<u>1,053</u>	<u>8,410</u>	<u>3,488,316</u>	<u>4,032,342</u>
Expenses:					
Program services	3,454,819	302,878	22,432	3,780,129	3,923,347
Support services:					
Management and general	183,182	4,462	2,040	189,684	54,788
Fundraising	281,361	7,183	3,314	291,858	245,589
Total supporting services	<u>464,543</u>	<u>11,645</u>	<u>5,354</u>	<u>481,542</u>	<u>300,377</u>
Charter and national service fee	70,417	-	-	70,417	47,873
Total expenses	<u>3,989,779</u>	<u>314,523</u>	<u>27,786</u>	<u>4,332,088</u>	<u>4,271,597</u>
Decrease in unrestricted net assets	<u>(510,926)</u>	<u>(313,470)</u>	<u>(19,376)</u>	<u>(843,772)</u>	<u>(239,255)</u>

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2014	2013
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Direct public support:					
Foundations and trusts	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Other direct support	9,030	-	-	9,030	20,925
Special Events	-	-	-	-	2,000
Assets released from restrictions (Note 12)	(20,925)	-	-	(20,925)	(27,935)
(Decrease) increase in temporarily restricted net assets	(11,895)	-	-	(11,895)	194,990
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:					
Direct public support:					
Other direct support	-	-	1,010,030	1,010,030	26,114
Unrealized gain on perpetual trust (Note 3)	-	-	468	468	91,482
Increase in permanently restricted net assets	-	-	1,010,498	1,010,498	117,596
(Decrease) increase in net assets	(522,821)	(313,470)	991,122	154,831	73,331
NET ASSETS - BEGINNING OF YEAR:					
Unrestricted accumulated deficit - undesignated	(1,120,123)	-	-	(1,120,123)	(1,400,572)
Unrestricted net assets - board designated	-	2,959,789	2,411,796	5,371,585	5,891,289
Temporarily restricted net assets (Note 12)	22,925	200,000	-	222,925	27,935
Permanently restricted net assets	-	-	2,018,914	2,018,914	1,901,318
Total net assets - beginning of year	(1,097,198)	3,159,789	4,430,710	6,493,301	6,419,970
Interfund transfers	7,960	-	(7,960)	-	-
NET ASSETS - END OF YEAR:					
Unrestricted accumulated deficit - undesignated	(1,623,089)	-	-	(1,623,089)	(1,120,123)
Unrestricted net assets - board designated	-	2,646,319	2,384,460	5,030,779	5,371,585
Temporarily restricted net assets (Note 12)	11,030	200,000	-	211,030	222,925
Permanently restricted net assets	-	-	3,029,412	3,029,412	2,018,914
Total net assets - end of year	\$ (1,612,059)	\$ 2,846,319	\$ 5,413,872	\$ 6,648,132	\$ 6,493,301

SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA
Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2013

	Operating Fund	Capital Fund	Endowment Fund	Total
CHANGES IN UNRESTRICTED NET ASSETS:				
Public support and revenue:				
Friends of Scouting	\$ 596,872	\$ -	\$ -	\$ 596,872
Provision for uncollectible pledges	(39,176)	-	-	(39,176)
Friends of Scouting, net	<u>557,696</u>	<u>-</u>	<u>-</u>	<u>557,696</u>
Project sales	685	-	-	685
Capital campaign	-	4,425	-	4,425
Special events revenue	331,985	-	-	331,985
Less: Cost of direct benefits	(77,226)	-	-	(77,226)
Special events, net of direct benefits	<u>254,759</u>	<u>-</u>	<u>-</u>	<u>254,759</u>
Legacies and bequests	-	-	5,395	5,395
Foundations and trusts	84,284	-	-	84,284
Other direct support	137,051	-	3,107	140,158
Total direct public support	<u>1,034,475</u>	<u>4,425</u>	<u>8,502</u>	<u>1,047,402</u>
Other revenue:				
Product sales	470,865	-	-	470,865
Less: Direct cost of merchandise sold	(141,402)	-	-	(141,402)
Less: Commissions paid to units	(183,067)	-	-	(183,067)
Product sales, net	<u>146,396</u>	<u>-</u>	<u>-</u>	<u>146,396</u>
Interest and dividends, net (Note 3)	23,680	-	75,126	98,806
Interfund interest and dividend allocation	124,929	(303)	(124,626)	-
Realized and unrealized gain on investments (Note 3)	1,455	-	269,993	271,448
Camping revenue	1,925,761	-	-	1,925,761
Activity revenue	430,155	-	-	430,155
Miscellaneous revenue	84,439	-	-	84,439
Total other revenue	<u>2,736,815</u>	<u>(303)</u>	<u>220,493</u>	<u>2,957,005</u>
Assets released from restrictions (Note 12)	27,935	-	-	27,935
Total revenue	<u>3,799,225</u>	<u>4,122</u>	<u>228,995</u>	<u>4,032,342</u>
Expenses:				
Program services	3,502,408	396,649	24,290	3,923,347
Support services:				
Management and general	50,861	2,525	1,402	54,788
Fundraising	232,377	9,908	3,304	245,589
Total supporting services	<u>283,238</u>	<u>12,433</u>	<u>4,706</u>	<u>300,377</u>
Charter and national service fee	47,873	-	-	47,873
Total expenses	<u>3,833,519</u>	<u>409,082</u>	<u>28,996</u>	<u>4,271,597</u>
(Decrease) increase in unrestricted net assets	<u>(34,294)</u>	<u>(404,960)</u>	<u>199,999</u>	<u>(239,255)</u>

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2013

	Operating Fund	Capital Fund	Endowment Fund	Total
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Direct public support:				
Foundations and trusts	\$ -	\$ 200,000	\$ -	\$ 200,000
Other direct support	20,925	-	-	20,925
Special Events	2,000	-	-	2,000
Assets released from restrictions (Note 12)	<u>(27,935)</u>	<u>-</u>	<u>-</u>	<u>(27,935)</u>
(Decrease) increase in temporarily restricted net assets	<u>(5,010)</u>	<u>200,000</u>	<u>-</u>	<u>194,990</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Direct public support:				
Other direct support	-	-	26,114	26,114
Unrealized gain on perpetual trust (Note 3)	<u>-</u>	<u>-</u>	<u>91,482</u>	<u>91,482</u>
Increase in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>117,596</u>	<u>117,596</u>
(Decrease) increase in net assets	<u>(39,304)</u>	<u>(204,960)</u>	<u>317,595</u>	<u>73,331</u>
NET ASSETS - BEGINNING OF YEAR:				
Unrestricted accumulated deficit - undesignated	(1,400,572)	-	-	(1,400,572)
Unrestricted net assets - board designated	-	3,247,568	2,643,721	5,891,289
Temporarily restricted net assets (Note 12)	27,935	-	-	27,935
Permanently restricted net assets	<u>-</u>	<u>-</u>	<u>1,901,318</u>	<u>1,901,318</u>
Total net assets - beginning of year	<u>(1,372,637)</u>	<u>3,247,568</u>	<u>4,545,039</u>	<u>6,419,970</u>
Interfund transfers	314,743	117,181	(431,924)	-
NET ASSETS - END OF YEAR:				
Unrestricted accumulated deficit - undesignated	(1,120,123)	-	-	(1,120,123)
Unrestricted net assets - board designated	-	2,959,789	2,411,796	5,371,585
Temporarily restricted net assets (Note 12)	22,925	200,000	-	222,925
Permanently restricted net assets	<u>-</u>	<u>-</u>	<u>2,018,914</u>	<u>2,018,914</u>
Total net assets - end of year	<u>\$ (1,097,198)</u>	<u>\$ 3,159,789</u>	<u>\$ 4,430,710</u>	<u>\$ 6,493,301</u>

SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Supporting Services			Total Supporting Services	Total	
	Program Services	Management and General	Fundraising		2014	2013
EMPLOYEE COMPENSATION:						
Salaries	\$ 1,205,074	\$ 63,447	\$ 102,120	\$ 165,567	\$ 1,370,641	\$ 1,454,634
Employee benefits	170,816	12,780	20,570	33,350	204,166	241,157
Payroll taxes	132,888	8,762	14,102	22,864	155,752	126,530
Total employee compensation	<u>1,508,778</u>	<u>84,989</u>	<u>136,792</u>	<u>221,781</u>	<u>1,730,559</u>	<u>1,822,321</u>
OTHER EXPENSES:						
Professional fees	208,781	47,221	36,121	83,342	292,123	163,474
Supplies	464,540	2,634	11,134	13,768	478,308	432,463
Telephone	25,575	1,137	1,830	2,967	28,542	26,205
Postage & shipping	57,135	1,212	5,417	6,629	63,764	51,824
Occupancy	528,986	7,444	11,982	19,426	548,412	469,581
Rent & maintenance of equipment	125,690	6,081	9,987	16,068	141,758	104,315
Printing & publications	4,057	164	613	777	4,834	5,636
Travel	248,872	3,701	6,130	9,831	258,703	385,506
Conferences & meetings	15,392	12,064	1,857	13,921	29,313	114,634
Specific assistance to individuals	79,158	-	-	-	79,158	50,580
Recognition awards	4,832	89	3,990	4,079	8,911	17,236
Interest expense	16,514	1,518	2,296	3,814	20,328	18,591
Insurance	83,981	7,637	12,293	19,930	103,911	72,282
Other expenses	105,788	9,406	44,354	53,760	159,548	79,580
Total other expenses	<u>1,969,301</u>	<u>100,308</u>	<u>148,004</u>	<u>248,312</u>	<u>2,217,613</u>	<u>1,991,907</u>
Total functional expenses before depreciation expense	3,478,079	185,297	284,796	470,093	3,948,172	3,814,228
DEPRECIATION EXPENSE	<u>302,050</u>	<u>4,387</u>	<u>7,062</u>	<u>11,449</u>	<u>313,499</u>	<u>409,496</u>
Total functional expenses	3,780,129	189,684	291,858	481,542	4,261,671	4,223,724
CHARTER AND NATIONAL SERVICE FEE	<u>70,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,417</u>	<u>47,873</u>
Total expenses	<u>\$ 3,850,546</u>	<u>\$ 189,684</u>	<u>\$ 291,858</u>	<u>\$ 481,542</u>	<u>\$ 4,332,088</u>	<u>\$ 4,271,597</u>

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013

	Supporting Services			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
EMPLOYEE COMPENSATION:					
Salaries	\$ 1,304,995	\$ 30,379	\$ 119,260	\$ 149,639	\$ 1,454,634
Employee benefits	212,756	5,766	22,635	28,401	241,157
Payroll taxes	114,788	2,384	9,358	11,742	126,530
Employee related expenses	-	-	-	-	-
Total employee compensation	<u>1,632,539</u>	<u>38,529</u>	<u>151,253</u>	<u>189,782</u>	<u>1,822,321</u>
OTHER EXPENSES:					
Professional fees	140,767	4,857	17,850	22,707	163,474
Supplies	419,386	494	12,583	13,077	432,463
Telephone	23,872	474	1,859	2,333	26,205
Postage & shipping	45,349	325	6,150	6,475	51,824
Occupancy	460,536	1,836	7,209	9,045	469,581
Rent & maintenance of equipment	92,450	2,301	9,564	11,865	104,315
Printing & publications	5,122	104	410	514	5,636
Travel	378,509	1,088	5,909	6,997	385,506
Conferences & meetings	104,708	7,303	2,623	9,926	114,634
Specific assistance to individuals	50,580	-	-	-	50,580
Recognition awards	11,048	131	6,057	6,188	17,236
Interest expense	15,912	544	2,135	2,679	18,591
Insurance	74,286	(7,580)	5,576	(2,004)	72,282
Other expenses	71,279	1,846	6,455	8,301	79,580
Total other expenses	<u>1,893,804</u>	<u>13,723</u>	<u>84,380</u>	<u>98,103</u>	<u>1,991,907</u>
Total functional expenses before depreciation expense	3,526,343	52,252	235,633	287,885	3,814,228
DEPRECIATION EXPENSE	<u>397,004</u>	<u>2,536</u>	<u>9,956</u>	<u>12,492</u>	<u>409,496</u>
Total functional expenses	3,923,347	54,788	245,589	300,377	4,223,724
CHARTER AND NATIONAL SERVICE FEE					
	<u>47,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,873</u>
Total expenses	<u>\$ 3,971,220</u>	<u>\$ 54,788</u>	<u>\$ 245,589</u>	<u>\$ 300,377</u>	<u>\$ 4,271,597</u>

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ (522,821)	\$ (313,470)	\$ 991,122	\$ 154,831	\$ 73,331
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:					
Interfund transfers	7,960	-	(7,960)	-	-
Depreciation	-	313,499	-	313,499	409,496
Net realized and unrealized gains on investments	-	-	(52,658)	(52,658)	(271,448)
Unrealized gain on perpetual trust	-	-	-	-	(91,482)
Contributions restricted for capital projects	-	-	-	-	(200,000)
Changes in assets and liabilities:					
Accounts receivable	53,751	-	-	53,751	(3,082)
Pledges receivable	39,160	-	(1,430)	37,730	(35,669)
Inventories	(4,189)	-	-	(4,189)	9,329
Prepaid expenses	(12,422)	-	-	(12,422)	32,283
Interfund payable (receivable)	579,687	70,313	(650,000)	-	-
Other assets	-	-	(468)	(468)	12,655
Accounts payable and accrued expenses	(184,689)	-	-	(184,689)	289,241
Custodial accounts	81,060	-	-	81,060	24,131
Deferred activity income	(4,221)	-	-	(4,221)	(171,441)
Deferred camp income	(58,210)	-	-	(58,210)	(35,261)
Deferred special event income	1,000	-	-	1,000	-
Net cash (used in) provided by operating activities	(23,934)	70,342	278,606	325,014	42,083
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of land, building, and equipment	-	(70,938)	-	(70,938)	(43,522)
Purchases of investments	-	-	(1,426,767)	(1,426,767)	(620,117)
Sales of investments	-	-	1,174,636	1,174,636	942,861
Net cash (used in) provided by investing activities	-	(70,938)	(252,131)	(323,069)	279,222
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments made on lines of credit	(301,203)	-	-	(301,203)	-
Contributions restricted for capital projects	-	-	-	-	200,000
Net cash (used in) provided by financing activities	(301,203)	-	-	(301,203)	200,000
NET (DECREASE) INCREASE IN CASH	(325,137)	(596)	26,475	(299,258)	521,305
CASH - beginning of year	876,940	29,557	25	906,522	385,217
CASH - end of year	\$ 551,803	\$ 28,961	\$ 26,500	\$ 607,264	\$ 906,522
SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:					
Cash paid during the year for interest	\$ 20,327	\$ -	\$ -	\$ 20,327	\$ 18,591

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013**

	Operating Fund	Capital Fund	Endowment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ (39,304)	\$ (204,960)	\$ 317,595	\$ 73,331
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:				
Interfund transfers	314,743	117,181	(431,924)	-
Depreciation	-	409,496	-	409,496
Net realized and unrealized gains on investments	(1,455)	-	(269,993)	(271,448)
Unrealized gain on perpetual trust	-	-	(91,482)	(91,482)
Contributions restricted for capital projects	-	(200,000)	-	(200,000)
Changes in assets and liabilities:				
Accounts receivable	(3,082)	-	-	(3,082)
Pledges receivable	(31,461)	-	(4,208)	(35,669)
Note receivable	-	-	-	-
Inventories	9,329	-	-	9,329
Prepaid expenses	32,283	-	-	32,283
Interfund (receivable) payable	296,223	(46,223)	(250,000)	-
Interfund (receivable) payable - long term	(401,545)	-	401,545	-
Other assets	202,500	(202,500)	12,655	12,655
Accounts payable and accrued expenses	289,241	-	-	289,241
Custodial accounts	24,131	-	-	24,131
Deferred activity income	(171,441)	-	-	(171,441)
Deferred camp income	(35,261)	-	-	(35,261)
Net cash provided by (used in) operating activities	<u>484,901</u>	<u>(127,006)</u>	<u>(315,812)</u>	<u>42,083</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of land, building, and equipment	-	(43,522)	-	(43,522)
Purchases of investments	(44,558)	-	(575,559)	(620,117)
Sales of investments	51,465	-	891,396	942,861
Net cash provided by (used in) investing activities	<u>6,907</u>	<u>(43,522)</u>	<u>315,837</u>	<u>279,222</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Contributions restricted for capital projects	-	200,000	-	200,000
Net cash provided by financing activities	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
NET INCREASE IN CASH	491,808	29,472	25	521,305
CASH - beginning of year	<u>385,132</u>	<u>85</u>	<u>-</u>	<u>385,217</u>
CASH - end of year	<u><u>\$ 876,940</u></u>	<u><u>\$ 29,557</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 906,522</u></u>
SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES:				
Cash paid during the year for interest	<u><u>\$ 18,591</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,591</u></u>

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(1) ORGANIZATION

The San Gabriel Valley Council (the "Council"), located in Pasadena, California, is a non-profit California Corporation operating under a charter from the National Boy Scouts of America. The Council has an Endowment Trust Fund (the "Trust Fund") established for the benefit of the Council. The Council provides service to approximately 14,000 young men ages 7-21 and young women ages 14-21 in the San Gabriel Valley. The mission of the Boy Scouts of America is to prepare young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law. The Council is devoted to promoting the ability of boys, young men, and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, and self-reliance.

The Council's programs include:

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, team work, and social skills through service projects, ceremonies, games, and other activities that promote character development and physical fitness.

Boy Scouting – Scouts ages 11 through 18 develop an awareness and appreciation of their role in their community, become well-rounded young men and leaders through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce lifelong hobbies or potentially rewarding careers.

Varsity Scouting – Program for young men ages 14-18 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 advancement opportunities and values of the Boy Scouts of America. The five fields of emphasis include advancement, high-adventure sports, personal development, service, and special programs and events.

Venturing – Provides experiences to help young men and women ages 13 through 20 become mature, responsible and contributing adults. Young teens learn leadership skills and participate in challenging outdoor activities, recognition programs and community service projects.

Learning for Life – Program to enable young people ages 6 through 18 to become responsible individuals by teaching positive character traits, career development, leadership, and life skills so they can make informed choices and achieve their full potential.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(1) ORGANIZATION (continued)

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.

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 has three camping facilities, as follows:

Camp Cherry Valley, located on Santa Catalina Island, operates a summer adventure camping, world-class snorkeling, SCUBA diving, hiking, fishing and numerous water sports such as canoeing, rowing, sailing and swimming. The camp is located on the leeward side of the island where the coves are calm and protected from heavy surf. Scouts have the opportunity to hike, swim, race war canoes, tour an old silver mine, and camp in tents under a unique variety of cherry trees.

Trask Scout Reservation, 160 acres acquired in 1966 and located in Sawpit Canyon above Monrovia, offers a wide variety of outdoor activities and camping opportunities. The convenient location of this camp enables the Council to offer day and overnight camping programs including hiking, campfire programs, nature programs, merit badge classes and swimming lessons. The camp is available to all who are interested in camping, including Scouting and non-Scouting groups.

Holcomb Valley Scout Reservation is located near Big Bear Lake in the San Bernardino Mountains. The camp includes over 400 acres with pristine air at 7,100 feet elevation in a high country meadow surrounded by tree covered hills and mountains. Camp programs include overnight camping, hiking, campfires, nature programs, merit badge classes, swimming lessons, horseback riding, mountain biking and a climbing tower.

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

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

Financial Statement Presentation – The accounting and reporting policies of the Organization are in accordance with accounting principles generally accepted in the United States of America.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The Capital Fund is comprised of land, building, and equipment less any related liabilities, plus any other assets held by the Organization that are legally restricted to be converted into land, building, and equipment. The Endowment Fund is comprised of those amounts legally permanently restricted for endowment or other specific purposes, and other amounts designated by the Organization to be held in the Trust Fund. All other amounts are included in the Operating Fund.

The Organization prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*, and subsections. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations and other net assets designated by the Board of Directors.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all of part of the income earned on related investments for general or specific purposes.

Revenue and Expense Recognition – Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor imposed restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions – Contributions that constitute unconditional promises to give (pledges) are recorded as receivables and revenues. For financial reporting purposes, the Organization distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as permanently restricted assets. Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

Pledges Receivable – Unconditional promises to give (pledges) are recorded as contribution income and receivables. Contributions are classified as unrestricted, temporarily restricted, or permanently restricted based on donor-imposed stipulations. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fundraising activity.

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

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

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

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

Investments – Investments consist primarily of assets invested in mutual funds and money-market accounts. Investments are accounted for in accordance with FASB ASC 958-320, *Not-for-Profit Entities Investments-Debt and Equity Securities* and subsections. Investments in mutual funds are valued at the net asset value of shares held by the Council at year end. Realized and unrealized gain or loss on investments is reflected in the consolidated Statement of Changes in Net Assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated Statement of Financial Position.

Endowment Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain growth of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is expected result in rate of return of 2% over the target rate of return of the spending level plus inflation plus capital appreciation, nominally no less than 7.5% per year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy – The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 3 year quarterly balances. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Organization's objective to provide additional real growth through new gifts and investment return.

Cash – Cash includes cash on hand or on deposit. For purposes of reporting cash flows, cash includes cash and cash held in temporarily restricted and endowment funds.

Accounts Receivable – Accounts receivable are recorded primarily for donated asset sales and estate distributions for which the Organization has received distribution notices and are stated at estimated realizable value. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of December 31, 2014 and 2013.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories – Inventories are recorded at the lower of average cost or market and principally represent merchandise held for sale at the camp trading posts.

Interfund Loans – The interfund loans at December 31, 2014, result from the Endowment Fund making advances to the Operating Fund for operating purposes and Capital Fund expenditures advanced from the Operating Fund. The Interfund loans at December 31, 2013, result from the Endowment Fund making advances to the Operating Fund for operating purposes. The loans bear simple interest at ten percent (10%) per annum. The loans at December 31, 2014 are expected to be paid in full in the following year.

Property and Depreciation – Land, buildings and equipment are recorded at cost, or if acquired by gift, at the estimated fair value at the date of the gift. Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows:

Buildings	25 to 50 years
Leasehold Improvements	10 to 20 years
Furniture and Equipment	3 to 10 years

Impairment of Long-Lived Assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended December 31, 2014 and 2013.

Assets Held for Sale – The Organization initially reports assets held for sale (reported in other assets) at cost if purchased and fair value at the date of the contribution if contributed. Subsequently, the Organization uses lower of cost or market to value assets held for sale.

Beneficial Interests in Perpetual Trust – The Organization's beneficial interest in a perpetual trust (that is, an interest in the income from the trust assets in perpetuity) is reported as permanently restricted assets at fair value of the assets contributed to the trust. Annual distributions from the trust are reported as investment income that increases unrestricted net assets. Adjustments, based on the fair market value of the investment account in which the Trust assets are in, to the amount reported as an asset is recognized as permanently restricted gains or losses.

Deferred Income – Deferred income consists of deposits and other amounts received but not yet earned for camp, activities and special events.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Functional Expenses – The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services. In accordance with the policy of the National Council of the Boy Scouts of America (the “National Council”), the payment of the charter fee to the National Council is not allocated as a functional expense.

Concentration of Risk – Financial instruments that potentially subject the Organization to concentration of credit risk are cash, investments, and receivables. The Organization’s cash and investments are held by recognized financial institutions. The Organization requires its investment managers to follow the Organization’s investment policy, and the investment managers are subject to periodic review by the Organization’s Investment Committee. The Organization’s investments are comprised of investment grade debt and equity securities. Concentration of credit risk for pledges and accounts receivable are generally limited due to the dispersion over a wide donor/creditor base. One donor accounted for 55% of the total contribution revenue for the year ended December 31, 2014. The Organization continually monitors its receivables and establishes valuation reserves as considered appropriate.

Estimates – The preparation of financial statement in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions regarding the reported amounts of assets, liabilities, contingent assets and liabilities at the date of the consolidated financial statements and those estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Subsequent Events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2015, the date the financial statements were available to be issued.

Reclassifications – Certain prior year balances have been reclassified to conform to current year presentation.

New Accounting Pronouncements – In October 2012, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (ASU 2012-05). The amendments in this update require a local council to classify cash receipts from the sale of donated financial assets (e.g., stocks, bonds, and other contractual claims) as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash inflows from financing activities and shall be simultaneously reported as cash outflows from investing activities. ASU 2012-05 is effective for fiscal years beginning after June 15, 2013, with early adoption permitted under certain circumstances.

**SAN GABRIEL VALLEY COUNCIL
BOY SCOUTS OF AMERICA**
Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(3) INVESTMENTS

At December 31, 2014 and 2013, investments consist of the following:

	2014	2013
Endowment fund:		
Equity mutual funds	\$ 1,432,717	\$ 1,901,116
Fixed income mutual funds	465,084	708,745
Cash and short-term investments	1,096,073	79,224
Total investments	\$ 2,993,874	\$ 2,689,085

On October 22, 2014, the Organization appointed another bank as the trustee of the Endowment Trust Fund. The Endowment fund investments were subsequently transferred to the bank in March 2015.

For the years ended December 31, 2014 and 2013, investment income consists of the following:

	Operating Fund	Capital Fund	Endowment Fund	Total	
				2014	2013
Interest and dividends	\$ 30,252	\$ 29	\$ 50,440	\$ 80,721	\$ 98,806
Investment fees	-	-	(27,178)	(27,178)	(28,010)
Interest and dividends, net	30,252	29	23,262	53,543	70,796
Realized and unrealized gain – unrestricted, net	-	-	62,393	62,393	271,448
Unrealized gain – permanently restricted	-	-	468	468	91,482
Total investment income	\$ 30,252	\$ 29	\$ 86,123	\$ 116,404	\$ 433,726

(4) FAIR VALUE MEASUREMENTS

Fair Value Standards (ASC 820-10) establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Equity mutual funds and fixed income mutual funds – Investments in mutual funds are valued at the net asset value of shares held by the Organization at year end.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(4) FAIR VALUE MEASUREMENTS (continued)

Cash and short-term investments – Composed of funds invested in savings accounts at various financial institutions and a money market mutual fund. Funds invested in savings accounts are valued based on the value of deposited funds and net investment earnings less withdrawals and fees. The money market mutual fund consists primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations, and other securities of foreign issuers. The fund seeks to maintain a stable net asset value (“NAV”) of \$1.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The Organization has no Level 2 assets at December 31, 2014 and 2013.

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

Perpetual trust assets – The fair value generally can be measured by using the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust. Accordingly, the perpetual trust assets are valued at the Organization’s ownership percentage in the trust’s underlying assets. Investments held by the trust are in securities listed on a securities exchange and are valued at the closing prices.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Any changes to the valuation methodology are reviewed by management to confirm that the changes are justified.

The Organization’s management and investment committee of the board is responsible for overseeing Organization’s valuation policies and procedures. The investment committee meets with its bank quarterly to review the market value for each fund manager and compares the performance with the appropriate market index. Management and the investment committee relies on the bank to determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security and uses the values obtained from the bank.

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

Notes to Consolidated Financial Statements
December 31, 2014 and 2013

(4) FAIR VALUE MEASUREMENTS (continued)

Assets for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the management does not represent fair value, shall each be valued as follows:

- The valuation process begins with each investment being initially valued by the investment professionals responsible for the portfolio investment. The management and the investment committee of the board, in good faith, relies on the bank valuations and determination of the fair value of each investment in the portfolio based on the input of the Organizations' Investment Adviser.
- Management may determine the fair value of other assets by using discounted cash flow techniques. The Organization uses the bank's reported value of the trust to calculate the value of our ownership in the trust. The changes in our ownership value is reported to the investment committee quarterly. The fair value is reviewed annually by the audit committee.

The following is the fair value measurement for all assets measured on a recurring basis at December 31, 2014 and 2013:

	<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity mutual funds				
U.S. large cap	\$ 556,172	\$ 556,172	\$ -	\$ -
U.S. mid cap	215,278	215,278	-	-
U.S. small cap	155,866	155,866	-	-
International developed	372,629	372,629	-	-
Emerging markets	132,772	132,772	-	-
	<u>1,432,717</u>	<u>1,432,717</u>	<u>-</u>	<u>-</u>
Fixed Income mutual funds				
Investment grade taxable funds	342,567	342,567	-	-
International developed bonds	52,835	52,835	-	-
Global high yield taxable funds	69,682	69,682	-	-
	<u>465,084</u>	<u>465,084</u>	<u>-</u>	<u>-</u>
Cash and short-term investments	<u>1,096,073</u>	<u>1,096,073</u>	<u>-</u>	<u>-</u>
Total investments	<u>2,993,874</u>	<u>2,993,874</u>	<u>-</u>	<u>-</u>
Perpetual trust assets (Note 6)	<u>1,469,176</u>	<u>-</u>	<u>-</u>	<u>1,469,176</u>
	<u>\$ 4,463,050</u>	<u>\$ 2,993,874</u>	<u>\$ -</u>	<u>\$ 1,469,176</u>

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(4) FAIR VALUE MEASUREMENTS (continued)

	<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity mutual funds				
U.S. large cap	\$ 638,298	\$ 638,298	\$ -	\$ -
U.S. mid cap	273,977	273,977	-	-
U.S. small cap	326,055	326,055	-	-
International developed	483,179	483,179	-	-
Emerging markets	179,607	179,607	-	-
	<u>1,901,116</u>	<u>1,901,116</u>	<u>-</u>	<u>-</u>
Fixed Income mutual funds				
Investment grade taxable funds	532,976	532,976	-	-
International developed bonds	53,655	53,655	-	-
Global high yield taxable funds	122,114	122,114	-	-
	<u>708,745</u>	<u>708,745</u>	<u>-</u>	<u>-</u>
Cash and short-term investments	<u>79,224</u>	<u>79,224</u>	<u>-</u>	<u>-</u>
Total investments	<u>2,689,085</u>	<u>2,689,085</u>	<u>-</u>	<u>-</u>
Perpetual trust assets (Note 6)	<u>1,468,708</u>	<u>-</u>	<u>-</u>	<u>1,468,708</u>
	<u>\$ 4,157,793</u>	<u>\$ 2,689,085</u>	<u>\$ -</u>	<u>\$ 1,468,708</u>

The following table reconciles the Organization's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,468,708	\$ 1,377,226
Net realized and unrealized gains included in earnings	<u>468</u>	<u>91,482</u>
Balance, end of year	<u>\$ 1,469,176</u>	<u>\$ 1,468,708</u>

The amount of total gains for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains relating to assets still held at the reporting date

\$	<u>468</u>	\$	<u>91,482</u>
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Unrealized gains from the perpetual trust are included in the consolidated statement of changes in net assets.#

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(4) FAIR VALUE MEASUREMENTS (continued)

Quantitative information about the Level 3 asset fair value measurements as of December 31, 2014 and 2013 is as follows:

<u>2014</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>	<u>Beneficial Interest %</u>	<u>Fair Value</u>
Perpetual Trust Asset	% of Ownership in Perpetual Trust - Fair value of the assets contributed to the trust	Ownership % - Fair value of the assets contributed to the trust	\$ 14,104,179	10.4166%	\$ 1,469,176
<u>2013</u>					
Perpetual Trust Asset	% of Ownership in Perpetual Trust - Fair value of the assets contributed to the trust	Ownership % - Fair value of the assets contributed to the trust	\$ 14,099,688	10.4166%	\$ 1,468,708

(5) PLEDGES RECEIVABLE

At December 31, 2014 and 2013, the Organization has pledges receivable as follows:

	<u>2014</u>	<u>2013</u>
Friends of Scouting	\$ 32,725	\$ 61,904
Other contributions receivable	73,538	51,773
	<u>106,263</u>	<u>113,677</u>
Less: Allowance for doubtful accounts	<u>(35,953)</u>	<u>(5,637)</u>
	<u>\$ 70,310</u>	<u>\$ 108,040</u>

The Organization expects to collect the outstanding pledges during the year ending December 31, 2015.

During the year ended December 31, 2013, the Organization received a conditional pledge in the amount of \$200,000 from a foundation. Since the Organization has not met the conditions stipulated during the year, the pledge has not been recognized as contribution revenue as of December 31, 2014.

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(6) OTHER ASSETS

At December 31, 2014 and 2013, other assets consist of the following:

	<u>2014</u>	<u>2013</u>
<u>Operating fund:</u>		
Donated land held for sale	\$ 202,500	\$ 202,500
<u>Endowment fund:</u>		
Beneficial interest in perpetual trust (Harding)	<u>1,469,176</u>	<u>1,468,708</u>
	<u>\$ 1,671,676</u>	<u>\$ 1,671,208</u>

The Organization has a 10.4166% beneficial interest in the income from the assets held in a charitable perpetual trust by an independent trustee. Under terms of the trust, the Organization has the right to receive the income earned on the trust assets in perpetuity, but will never receive the assets held in trust.

(7) LAND, BUILDINGS AND EQUIPMENT

At December 31, 2014 and 2013, land, buildings and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 805,141	\$ 805,141
Buildings and leasehold improvements	6,857,258	6,857,258
Furniture and equipment	1,340,115	1,323,077
Construction-in-progress	<u>58,008</u>	<u>4,108</u>
	9,060,522	8,989,584
Less: Accumulated depreciation and amortization	<u>(6,375,351)</u>	<u>(6,061,852)</u>
	<u>\$ 2,685,171</u>	<u>\$ 2,927,732</u>

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(8) LINES OF CREDIT

At December 31, 2013, the Council had a \$1,000,000 line of credit arrangement with a bank, secured by a security interest in all investment accounts at the bank, which is due upon demand. Advances bear interest at 0.75% over the bank's base lending rate. At December 31, 2013, the bank's base lending rate was 1.168%. The outstanding balance as of December 31, 2013 of \$1,000,000, was repaid on December 12, 2014, and the line of credit arrangement was not renewed.

At December 31, 2014, the Council had a \$1,600,000 line of credit arrangement with another bank, secured by a security interest in all investment accounts at the bank, which is due upon demand. At December 31, 2014, the interest rate on the line of credit was 1.18%. The outstanding balance as of December 31, 2014 was \$698,797.

(9) EMPLOYEE BENEFIT PLANS

Retirement Plans – The National Council has 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 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. Eligible employees contribute 2 percent of compensation and the Council contributes an additional 7 percent to the plan. Pension expenses for the years ended December 31, 2014 and 2013, were \$72,083 and \$81,457, respectively.

As the Plan is a multi-employer plan, the individual information for each employer is not available. The actuarial information for the multi-employer plan as of February 1, 2012, indicates that it is in compliance with ERISA regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits was 7.75 percent. The asset valuation method for funding purposes used was the five-year smoothed value.

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 Organization did not make matching contributions in 2014 or 2013.

Healthcare Plan – The Council's employees participate in a healthcare 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's cost for the employee healthcare plan was \$132,082 and \$159,699, respectively.

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(10) TAX-EXEMPT STATUS

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Council had no unrelated business income for the years ended December 31, 2014 and 2013. Accordingly, no provision for income taxes has been recorded.

The Council has adopted the provisions of the FASB standard on Accounting for Uncertainty in Income Taxes (ASC 740-10-25). The Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended December 31, 2014 and 2013, there were no interest or penalties recorded or included in its consolidated financial statements.

Generally, the Organization's income tax returns are subject to examination by federal and state tax authorities for 3 years and 4 years, respectively, after the date of filing.

(11) LEASE COMMITMENTS

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.

Camp Cherry Valley – The Council leases its facility on Santa Catalina Island under an operating lease agreement through December 31, 2012. The Council has an option to extend the initial five year term of this lease for two consecutive terms of five years if certain terms and conditions are met as defined in the agreement. In April 2012, the lessor approved the Council's request to exercise its option to extend the lease through December 31, 2017. In the event that the Council has expended at least \$500,000 on capital improvements to the facility as defined in the agreement, the Council shall have an additional option to extend the term of the lease for one additional term of five years. At December 31, 2014 and 2013, the Council has about \$371,000 and \$547,000, respectively 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.

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(11) LEASE COMMITMENTS (continued)

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 years ended December 31, 2014 and 2013, were \$150,560 and \$143,390, respectively. Additional rent of 8% of gross revenues (as defined) less the base rent is to be paid per calendar year. Lease expense for the years ended December 31, 2014 and 2013 were \$154,328 and \$158,827, respectively.

The Council subleases its facilities at Camp Cherry Valley to another nonprofit organization on an attendance basis. Sublease rental income for the years ended December 31, 2014 and 2013 were \$446,445 and \$248,085, respectively.

Equipment – The Council leases copier equipment under a non-cancelable operating lease at a monthly rental of \$1,352 through March 2015.

Future minimum lease payments are as follows:

Year Ending December 31	Camp Cherry Valley	Equipment	Total
2015	\$ 158,088	\$ 4,056	\$ 162,144
2016	165,992	-	165,992
2017	174,291	-	174,291
	<u>\$ 498,371</u>	<u>\$ 4,056</u>	<u>\$ 502,427</u>

Total rent expense for the years ended December 31, 2014 and 2013, were \$204,524 and \$187,624, respectively.

Pasadena Scout Shop – The National Office leases a Scout Shop in the Council's headquarters. The National Council manages the Scout Shop and pays the Council an eight percent commission on gross sales. An additional five percent commission is payable on all net sales in excess of \$750,000 per calendar year. The lease will expire on April 1, 2019. Rental income for the years ended December 31, 2014 and 2013 were \$53,974 and \$50,400, respectively.

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(12) TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital projects	\$ 200,000	\$ 200,000
Time restriction	<u>11,030</u>	<u>22,925</u>
	<u>\$ 211,030</u>	<u>\$ 222,925</u>

For the years ended December 31, 2014 and 2013, temporarily restricted net assets were released from donor restrictions by passage of time.

(13) PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, the Organization has permanently restricted (endowment) net assets, as summarized below. The income from these endowment net assets has been restricted by the donors to be used for the purposes indicated:

	<u>2014</u>	<u>2013</u>
Harding perpetual trust - to promote and conduct Boy Scout work	\$ 1,469,176	\$ 1,468,708
Scouting Heritage - donor restricted endowment fund - to promote and conduct Boy Scout work	1,000,000	-
James E. West - donor restricted endowment fund - to promote and conduct Boy Scout work	<u>560,236</u>	<u>550,206</u>
	<u>\$ 3,029,412</u>	<u>\$ 2,018,914</u>

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(14) ENDOWMENT

The Organization's endowment consists of two groups of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's endowment by net asset class at December 31, 2014 and 2013, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board-designated endowment funds are as follows:

	Unrestricted	Permanently Restricted	2014 Total
Donor restricted endowment funds	\$ -	\$ 1,560,236	\$ 1,560,236
Board designated endowment funds	1,484,460	-	1,484,460
Total endowment funds	1,484,460	1,560,236	3,044,696
Perpetual trust assets	-	1,469,176	1,469,176
Total funds	<u>\$ 1,484,460</u>	<u>\$ 3,029,412</u>	<u>\$ 4,513,872</u>

	Unrestricted	Permanently Restricted	2013 Total
Donor restricted endowment funds	\$ -	\$ 550,206	\$ 550,206
Board designated endowment funds	2,161,796	-	2,161,796
Total endowment funds	2,161,796	550,206	2,712,002
Perpetual trust assets	-	1,468,708	1,468,708
Total funds	<u>\$ 2,161,796</u>	<u>\$ 2,018,914</u>	<u>\$ 4,180,710</u>

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(14) ENDOWMENT (continued)

Changes in endowment assets for the years ended December 31, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2013	\$ 2,643,721	\$ 1,901,318	\$ 4,545,039
Investment return			
Investment income, net of fees	75,126	-	75,126
Net appreciation (realized and unrealized)	269,993	91,482	361,475
Total investment return	345,119	91,482	436,601
Contributions	8,502	26,114	34,616
Appropriation of endowment assets for expenditure	(124,626)	-	(124,626)
Interfund loans	(250,000)	-	(250,000)
Interfund transfers	(431,924)	-	(431,924)
Expenses	(28,996)	-	(28,996)
Endowment net assets, December 31, 2013	<u>2,161,796</u>	<u>2,018,914</u>	<u>4,180,710</u>
Investment return			
Investment income, net of fees	50,440	-	50,440
Net appreciation (realized and unrealized)	62,393	468	62,861
Total investment return	112,833	468	113,301
Contributions	25,865	1,010,030	1,035,895
Appropriation of endowment assets for expenditure	(130,288)	-	(130,288)
Interfund loans	(650,000)	-	(650,000)
Interfund transfers	(7,960)	-	(7,960)
Expenses	(27,786)	-	(27,786)
Endowment net assets, December 31, 2014	<u>\$ 1,484,460</u>	<u>\$ 3,029,412</u>	<u>\$ 4,513,872</u>

Income from interest and dividends on investments and realized and unrealized gain on the sales of investments are recorded initially in the Endowment Fund. Distributions of Investment Income, Gains, and Losses from the Endowment Fund are recorded as income by the Operating Fund in the period in which the distributions are made in accordance with the Organization's spending policy (Note 2).

(15) RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and 2013, the Organization obtained insurance coverage and services from an entity owned or controlled by a member of the Organization's Board of Directors. Insurance premiums for policies placed through this company for the years ended December 31, 2014 and 2013, totaled \$4,808 and \$65,749, respectively.

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(16) MERGER WITH LOS ANGELES AREA COUNCIL

On March 21, 2015, both the San Gabriel Valley Council and the Los Angeles Area Council voted to join forces as a single united council for the benefit of Scouting in the greater Los Angeles area and have approved the combined leadership slate for the new joint council. The effective date of the merger is July 1, 2015.