



LONG BEACH AREA COUNCIL,
BOY SCOUTS OF AMERICA

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Long Beach Area Council, Boy Scouts of America

We have audited the accompanying statement of financial position of the Long Beach Area Council, Boy Scouts of America (the "Council") (a California nonprofit organization) as of December 31, 2015, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Summarized Comparative Information

We have previously audited the Council's 2014 financial statements, and our report dated May 22, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented here in as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rossi LLP

May 16, 2016
Long Beach, California

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF FINANCIAL POSITION

<i>As of December 31, 2015</i>	Operating Fund	Capital Fund	Endowment Funds	Total	Prior year- 2014
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 141,148	\$ -	\$ 430,056	\$ 571,204	\$ 499,662
Pledges receivable, net of allowance for uncollectible pledges of \$1,485 and \$120	21,373	842,750	10,000	874,123	271,981
Other receivables	25,120	-	-	25,120	23,751
Inventories	80,829	-	-	80,829	68,665
Prepaid expenses and other current assets	17,970	-	-	17,970	23,888
Note receivable	-	-	4,500,000	4,500,000	-
Total current assets	286,440	842,750	4,940,056	6,069,246	887,947
Long-term assets:					
Property and equipment, net of accumulated depreciation of \$2,137,613 and \$2,053,053	-	1,487,907	-	1,487,907	1,361,830
Cash restricted for long-term purposes	-	-	-	-	157,667
Long-term investments	-	-	2,721,717	2,721,717	2,755,063
Other assets	-	13,000	-	13,000	13,000
Note receivable	-	-	-	-	4,500,000
Inter-fund loans	-	(108,892)	108,892	-	-
Total long-term assets	-	1,392,015	2,830,609	4,222,624	8,787,560
Total assets	\$ 286,440	\$ 2,234,765	\$ 7,770,665	\$ 10,291,870	\$ 9,675,507
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 25,655	\$ -	\$ -	\$ 25,655	\$ 44,137
Accrued expenses and other current liabilities	24,966	11,878	-	36,844	21,950
Deferred revenue	20,943	-	-	20,943	18,370
Custodian accounts	87,175	-	-	87,175	57,864
Capital lease obligation - current	-	-	-	-	3,478
Total current liabilities	158,739	11,878	-	170,617	145,799
Long-term debt:					
Notes payable	-	38,327	-	38,327	3,476
Total liabilities	158,739	50,205	-	208,944	149,275
Commitments					
Net assets:					
Unrestricted	71,070	(486,490)	4,308,515	3,893,095	4,055,377
Unrestricted - investment in property and equipment, net	-	1,487,907	-	1,487,907	1,361,830
Total - unrestricted net assets	71,070	1,001,417	4,308,515	5,381,002	5,417,207
Temporarily restricted	56,631	1,183,143	20,569	1,260,343	678,694
Permanently restricted	-	-	3,441,581	3,441,581	3,430,331
Total net assets	127,701	2,184,560	7,770,665	10,082,926	9,526,232
Total liabilities and net assets	\$ 286,440	\$ 2,234,765	\$ 7,770,665	\$ 10,291,870	\$ 9,675,507

The accompanying notes are an integral part of these financial statements

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

<i>For the year ended December 31, 2015</i>	Operating Fund	Capital Fund	Endowment Funds	Total	Prior year- 2014
<u>Changes in unrestricted net assets</u>					
Public support and revenue:					
Public support:					
Friends of Scouting	\$ 195,326	\$ -	\$ -	\$ 195,326	\$ 204,295
Special events, net of direct costs of \$26,962 and \$22,937	39,258	-	-	39,258	42,095
Foundations, trusts, and other contributions	38,758	15,140	6,900	60,798	65,297
United Way - designated contributions	3,249	-	-	3,249	3,623
Satisfaction of program/donor restrictions	199,181	126,240	-	325,421	604,746
Total public support	475,772	141,380	6,900	624,052	920,056
Revenue:					
Scout Shop sales, net of costs of goods sold of \$149,789 and \$139,803	83,557	-	-	83,557	75,540
Product sales, net of commissions paid to units and costs of goods sold totaling \$52,962 and \$4,251	46,224	-	-	46,224	21,000
Camping revenue	576,750	-	-	576,750	616,101
Activity revenue	83,737	-	-	83,737	62,080
Miscellaneous revenue	4,928	2,030	-	6,958	7,866
Operating appropriation	450,000	-	(50,000)	400,000	400,000
Total revenue	1,245,196	2,030	(50,000)	1,197,226	1,182,587
Total public support and revenue	1,720,968	143,410	(43,100)	1,821,278	2,102,643
Expenses:					
Program services	1,534,478	127,329	-	1,661,808	1,560,038
Management and general	95,256	11,650	-	106,907	146,194
Fundraising	69,731	2,325	-	72,056	60,740
Total expenses by function	1,699,466	141,305	-	1,840,771	1,766,972
National service and charter fee	16,712	-	-	16,712	18,349
Total expenses	1,716,178	141,305	-	1,857,483	1,785,321
Change in unrestricted net assets	\$ 4,790	\$ 2,105	\$ (43,100)	\$ (36,205)	\$ 317,322

The accompanying notes are an integral part of these financial statements

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

<i>For the year ended December 31, 2015</i>	Operating Fund	Capital Fund	Endowment Funds	Total	Prior year- 2014
<u>Changes in temporarily restricted net assets</u>					
Public support:					
Foundations, trusts, and other contributions	\$ 182,001	\$ 932,966	\$ -	\$ 1,114,967	\$ 607,382
Satisfaction of program/donor restrictions	(199,181)	(126,240)	-	(325,421)	(604,746)
Total public support	(17,180)	806,726	-	789,546	2,636
Revenue:					
Interest and dividends, net of investment fees of \$31,291 and \$19,569	-	-	85,375	85,375	41,850
Gain (loss) on investments	-	-	(118,272)	(118,272)	61,871
Interest income on note receivable	-	-	225,000	225,000	225,000
Operating appropriation	-	-	(400,000)	(400,000)	(400,000)
Total revenue	-	-	(207,897)	(207,897)	(71,279)
Change in temporarily restricted net assets	\$ (17,180)	\$ 806,726	\$ (207,897)	\$ 581,649	\$ (68,643)
<u>Change in permanently restricted net assets</u>					
Public support:					
Foundations, trusts, and other contributions	-	-	11,250	11,250	1,000
Change in permanently restricted net assets	\$ -	\$ -	\$ 11,250	\$ 11,250	\$ 1,000
<u>Summary of changes in net assets</u>					
Net assets, beginning of year:					
Unrestricted	\$ 66,280	\$ 999,312	\$ 4,351,615	\$ 5,417,207	\$ 5,099,885
Temporarily restricted	73,811	376,417	228,466	678,694	747,337
Permanently restricted	-	-	3,430,331	3,430,331	3,429,331
	140,091	1,375,729	8,010,412	9,526,232	9,276,553
Changes in net assets:					
Unrestricted	4,790	2,105	(43,100)	(36,205)	317,322
Temporarily restricted	(17,180)	806,726	(207,897)	581,649	(68,643)
Permanently restricted	-	-	11,250	11,250	1,000
	(12,390)	808,831	(239,747)	556,694	249,679
Transfers					
	-	-	-	-	-
Net assets, end of year:					
Unrestricted	71,070	1,001,417	4,308,515	5,381,002	5,417,207
Temporarily restricted	56,631	1,183,143	20,569	1,260,343	678,694
Permanently restricted	-	-	3,441,581	3,441,581	3,430,331
	\$ 127,701	\$ 2,184,560	\$ 7,770,665	\$ 10,082,926	\$ 9,526,232

The accompanying notes are an integral part of these financial statements

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES

	2015				2014			
	Program Services	Management and General	Fundraising	Total Expenses by Function	Program Services	Management and General	Fundraising	Total Expenses by Function
Salaries	\$ 706,580	\$ 25,611	\$ 25,611	\$ 757,802	\$ 658,512	\$ 76,232	\$ 25,411	\$ 760,155
Payroll taxes	58,174	2,682	2,682	63,538	57,124	6,926	2,925	66,975
Employee benefits	92,909	17,421	5,807	116,137	91,525	17,161	5,720	114,406
Conferences and training	4,600	403	134	5,137	17,331	238	79	17,648
Depreciation	74,137	11,245	3,748	89,130	61,334	580	193	62,107
Equipment rent and maintenance	17,603	776	259	18,638	11,954	53	18	12,025
Insurance	56,307	3,246	1,082	60,635	42,502	2,636	879	46,017
Scout assistance	60,000	-	-	60,000	10,000	-	-	10,000
Miscellaneous	22,131	8,342	430	30,903	25,774	8,342	430	34,546
Occupancy	115,036	2,979	993	119,008	119,948	3,167	1,056	124,171
Postage and shipping	12,676	565	549	13,790	9,080	468	463	10,011
Printing and publications	31,189	480	6,113	37,782	34,259	249	4,672	39,180
Professional services	40,860	25,603	17,382	83,845	80,576	25,603	17,382	123,561
Recognition awards	72,873	3,025	4,706	80,604	40,550	16	5	40,571
Supplies	246,499	1,807	1,653	249,959	249,506	1,333	444	251,283
Telephone	14,896	1,060	353	16,309	17,790	1,723	574	20,087
Travel	35,338	1,662	554	37,554	32,273	1,467	489	34,229
Total expenses by function	\$ 1,661,808	\$ 106,907	\$ 72,056	\$ 1,840,771	\$ 1,560,038	\$ 146,194	\$ 60,740	\$ 1,766,972

The accompanying notes are an integral part of these financial statements

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
STATEMENTS OF CASH FLOWS

<i>For the year ended December 31, 2015</i>	Operating Fund	Capital Fund	Endowment Funds	Total	Prior year- 2014
Cash flows from operating activities:					
Change in net assets	\$ (12,390)	\$ 808,831	\$ (239,747)	\$ 556,694	\$ 249,679
Adjustments to reconcile change in net assets to provided by (used in) operating activities:					
Depreciation	-	89,130	-	89,130	62,107
Provision for uncollectible pledges	1,485	-	-	1,485	120
Contributions restricted for long-term purposes	-	(157,667)	-	(157,667)	(157,667)
Gain in value - long-term investments	-	-	118,272	118,272	(61,871)
(Increase) decrease in assets:					
Interest receivable	-	-	-	-	56,250
Interfund loans	-	(250,021)	250,021	-	-
Cash restricted for long-term purposes	-	157,667	-	157,667	224,546
Pledges receivable	29,373	(624,000)	(9,000)	(603,627)	(202,353)
Other receivables	(1,369)	-	-	(1,369)	(1,148)
Inventories	(12,164)	-	-	(12,164)	(5,207)
Prepaid expenses and other current assets	5,918	-	-	5,918	1,909
Increase (decrease) in liabilities:					
Accounts payable	(8,831)	(9,651)	-	(18,482)	(148,345)
Accrued expenses	3,016	11,878	-	14,894	8,174
Deferred revenue	2,573	-	-	2,573	1,219
Custodian accounts	29,311	-	-	29,311	18,955
Net cash provided by (used in) operating activities	36,922	26,167	119,546	182,635	46,368
Cash flows from investing activities:					
Acquisition of property and equipment	-	(176,880)	-	(176,880)	(578,123)
Proceeds from the sale of investments	-	-	(34,463)	(34,463)	6,810
Purchases of investments	-	-	(50,463)	(50,463)	(50,463)
Net cash provided by (used in) investing activities	-	(176,880)	(84,926)	(261,806)	(621,776)
Cash flows from financing activities:					
Cash contributions restricted for long-term	-	157,667	-	157,667	157,667
Payments on capital lease obligation	-	(6,954)	-	(6,954)	(3,478)
Net cash provided by (used in) financing activities	-	150,713	-	150,713	154,189
Net change in cash and cash equivalents	36,922	-	34,620	71,542	(421,219)
Cash and cash equivalents, beginning of year	104,226	-	395,436	499,662	920,881
Cash and cash equivalents, end of year	\$ 141,148	\$ -	\$ 430,056	\$ 571,204	\$ 499,662
Supplementary disclosure of cash flow information:					
Non-cash financing of long-lived property	\$ -	\$ 38,427	\$ -	\$ 38,427	\$ -
Recognition of in-kind contributions and related assets and expenses	\$ 2,665	\$ 15,490	\$ -	\$ 18,155	\$ 31,962

The accompanying notes are an integral part of these financial statements

As of and for the year ended December 31, 2015

NOTE 1

THE ORGANIZATION AND NATURE OF ACTIVITIES

The Long Beach Area Council, Boy Scouts of America (the "Council" or the "Organization") is a nonprofit organization which serves young men ages 7-21 and young women ages 14-21 within the communities of Long Beach, Signal Hill, Lakewood, and Bellflower in Southern Los Angeles County, California. The Council administratively is divided into two districts, Polaris and Los Fierros, each of which in turn consists of a number of units comprised of an age-appropriate group of young individuals.

The mission of the Council is to ensure that every eligible young person in its service area has the opportunity to join the Boy Scouts of America, participate in a quality Scouting program, develop leadership skills, and build character, citizenship, and personal fitness. The Council's Scouting programs help young people reach their full potential by turning them away from drugs, gangs, and juvenile delinquency and violence and towards development of positive traits such as physical and mental fitness, self-worth, self-esteem, self-reliance, personal satisfaction, patriotism, and respect for others. The Council serves more than 5,000 young people, including 300 with disabilities, from kindergarten through college. These activities are led by over 2,500 volunteers with the support of services, staff, and facilities of the Council Scout Service Center and camps.

The Council operates under a renewable charter granted to it by the National Council of the Boy Scouts of America (the "National Council") and in accordance with the congressional program. The Council is responsible to the National Council for its administrative actions, programs and activities, public representations and operations. The Council supports the Boy Scouts of America's mission, which 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 the Scout Law.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation:

The Council's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") has established the FASB Accounting Standards Codification ("ASC") as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

In preparing these financial statements, the Council evaluated the period from December 31, 2015 through May 16, 2016, the date that the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates and assumptions, and such differences may be material to the financial statements.

As of and for the year ended December 31, 2015

Net assets:

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that do not contain donor restrictions or the donor-imposed restrictions have expired due to the Organization’s fulfillment of the restrictions and/or by the passage of time.
- *Temporarily restricted net assets* – Net assets that contain donor-imposed restrictions that permit the Council to use or expend the donated net assets as specified and are satisfied either by the passage of time and/or the actions of the Organization.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

Fund accounting:

To ensure observance of limitations and restrictions on the use of available resources, the accounts of the Council 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 three funds utilized by the Council for these purposes include the operating fund, the capital fund, and the endowment fund.

Inter-fund loans:

Inter-fund loans from the endowment fund to the capital fund were \$108,892 and \$358,913 at December 31, 2015 and 2014, respectively.

Contributions and pledges receivable:

Pledges receivable for contributions are recognized upon notification of a donor’s unconditional promise to give to the Organization. Pledges receivable are recorded net of an allowance for uncollectible pledges. The allowance is based on prior years’ experience and management’s analysis of specific promises made. During the years ended December 31, 2015 and 2014, the Council recorded a provision for uncollectible pledges of \$1,485 and \$120, respectively.

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.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as assets released from restrictions.

As of and for the year ended December 31, 2015

In-kind contributions:

Contributions of donated noncash assets and services are recorded at their fair values in the period received. Contributed services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. 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 contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

A number of individuals, including the Board of Directors, have contributed significant amounts of their own time to the activities of the Organization without compensation. The financial statements do not reflect the value of these services because they do not meet the recognition criteria of ASC 958-605 and subsections, *Not-for-profit Entities – Revenue Recognition*.

Total in-kind contributions of \$18,155 and \$31,962 for the years ended December 31, 2015 and 2014, respectively, have been included as contributions in the statement of activities and changes in net assets and classified as an expense.

Revenue recognition and deferred revenue:

The Council receives a substantial portion of its operating funds from various revenue earning activities, including the sale of Scout-related items, camping, and other activities. These funds are deemed to be earned and reported as revenue when the Organization has sold the items and/or has provided the camping or other

activities to the participants. Amounts received in advance of the occurrence of activities or other events are reported as deferred revenue and are subsequently recognized as revenue upon occurrence of the activity or other event.

Cash and cash equivalents:

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for amounts held in long-term investment accounts that are considered to be temporary cash awaiting reinvestment in securities.

Financial instruments and concentrations of credit risk:

The Council's financial instruments consist of cash and cash equivalents, pledges receivable, long-term investments, and accounts payable. The recorded values of these financial instruments approximate their fair values based on their short-term nature and/or the availability of a ready market for their liquidation.

Financial instruments which subject the Organization to concentrations of credit risk principally consist of cash and long-term investments.

The Organization maintains cash balances with various securities brokerage firms. Investments and cash accounts at these institutions are insured by the Securities Investors Protection Corporation ("SIPC") up to \$500,000, of which no more than \$100,000 can be cash awaiting reinvestment. At various times during the years ended December 31, 2015 and 2014, the Organization's securities and cash balances held at these securities brokerage firms exceeded the above mentioned SIPC insurance limits. However, the Organization has not experienced any loss in such accounts to date

As of and for the year ended December 31, 2015

and does not anticipate non-performance by the brokerage firms.

In addition, the Organization, at various times, maintains financial instruments in excess of the Federal Deposit Insurance Corporation ("FDIC") maximum insured deposit limit of \$250,000 at December 31, 2015 and 2014, respectively, at one financial institution. However, the Organization has not experienced any loss in such accounts to date and does not anticipate non-performance by the institution.

Inventories:

Inventories, consist of Scouting accessories and literature available for resale, are stated at the lower of cost (average cost method) or market. Management does not believe that any inventories are impaired to the extent that their resale value is below cost; accordingly, an inventory reserve was not recorded at December 31, 2015 or 2014.

Property and equipment:

Expenditures which materially increase property lives are capitalized at acquisition cost. The cost of maintenance and repair is charged to expenditures as incurred. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of activities. Depreciation is provided using the straight line method over the estimated useful lives of the assets as follows:

Land	N/A
Buildings, building improvements, and land improvements	3-30 years
Furniture, fixtures, and equipment	3-20 years
Vehicles	3-7 years
Aquatic equipment	10 years

Other assets:

Other assets consist of a donated investment property and an intangible asset. The intangible asset consists of water pumping rights at Will J. Reid Park donated to the Organization by BP p.l.c. Although the property was sold during 2013, the Organization maintained the water pumping rights within the sale agreement. The water pumping rights have an indefinite useful economic life and accordingly, are not amortized. The Council periodically assesses the value of these water pumping rights to determine if they are impaired. The Council did not record a charge for impairment with respect to these water pumping rights during the years ended December 31, 2015 and 2014.

Income taxes:

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 is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. The Organization does not believe that during the years ended December 31, 2015 and 2014 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Council follows the provisions of FASB ASC 740, *Income Taxes*. Accordingly, the Council accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Council recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Council does not believe that its financial statements

LONG BEACH AREA COUNCIL, BOY SCOUTS OF AMERICA
NOTES TO FINANCIAL STATEMENTS

As of and for the year ended December 31, 2015

include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost (if purchased) or at estimated fair market value (if donated). Property and equipment consist of:

<i>As of December 31,</i>	2015	2014
Land	\$ 233,814	\$ 233,814
Buildings and improvements	2,358,910	2,164,638
Furniture & equipment	541,638	533,998
Vehicles	187,301	144,375
Aquatic equipment	276,371	268,871
	3,625,520	3,414,883
Less: accumulated depreciation	(2,137,613)	(2,053,053)
	\$ 1,487,907	\$ 1,361,830

The Organization recorded depreciation expense of \$89,130 and \$62,107 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4

INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Council's long-term investment portfolio consists primarily of equity and bond mutual funds, and cash. The investments are recorded at fair market value in the accompanying statement of financial position. Realized and

unrealized gains or losses on investments are reflected in the statement of activities and changes in net assets.

The Council has implemented ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by ASC 820. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities, bond instruments, and mutual funds held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange 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.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of

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fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The inputs and methodology used for valuing the Organization’s financial assets and liabilities are not indicators of the risks associated with those instruments.

Investments, recorded at fair value, consist of the following:

<i>As of December 31,</i>	2015	2014
<i>Level I</i>		
Mutual funds, equity, and debt securities	\$ 2,550,776	\$ 2,602,256
Money market cash	170,941	152,807
Total Level I	2,721,717	2,755,063
Total investments	\$ 2,721,717	\$ 2,755,063

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above:

Level 1: Fair value measurements – investments in securities:

The fair value of the Organization’s investments in marketable equity and debt securities and mutual funds is based on quoted market prices.

Investment income, net of investment fees consists of the following:

<i>For the years ended December 31,</i>	2015	2014
Interest and dividends	\$ 117,243	\$ 61,419
Investment fees	(31,868)	(19,569)
Gain (loss) on investments	(118,272)	61,871
Total investment income	\$ (32,897)	\$ 103,721

NOTE 5

NOTE PAYABLE

On or about June 2015, the Council purchased a vehicle using a Note financing arrangement, payable over monthly installments of \$590 per month, including principal and interest, maturing on June 20, 2021, with a stated annual interest rate of 3.29%. The unpaid principal of the Note was \$38,327 at December 31, 2015.

NOTE 6

ENDOWMENT FUNDS

The Council’s Endowment Fund (“Fund”) includes donor-restricted endowment funds, as well as, Board designated endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted net assets, identified by the Council’s board of directors to be used for future investment and growth, are included as unrestricted net assets– board-designated.

The Council manages the Fund according to ASC 958-205 and subsections, *Not-for-Profit Organizations, Presentation of Financial Statements*. The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009 (hereafter referred to as “SPMIFA”).

Interpretation of relevant law:

The Board has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted

As of and for the year ended December 31, 2015

endowment funds absent explicit donor stipulations to the contrary.

Therefore, the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the Fund to an amount at or above the amount of the original gift.

Accordingly, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. The Organization considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the Fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return objectives and risk parameters:

The primary goal of the Fund is to provide regular and reliable income for the operation, preservation, and betterment of the Council. Specifically, this will allow the Organization to use the income from the Fund to:

- (1) Provide for the implementation of quality programs for the youth serviced by the Council;
- (2) Facilitate learning opportunities for young people that will result in the development of character and citizenship in those participating youth including the programs of Scouting, Learning for Life, Venturing, and Exploring;
- (3) To ensure the proper utilization and management of resources contributed by those generous benefactors supporting the programs of the Council; and
- (4) To support and maintain the ethical and moral values and behavior incumbent upon those trying to be a role model for youth.

The desired investment objective is that the long-term real rate of return on the assets of the Fund will be approximately 3.0% greater than the rate of inflation as measured by the Consumer Price Index ("CPI"), with an overall target rate of return of 6.50 % based on a five-year rolling average.

The Organization considers itself to be an investor with a moderate risk tolerance. The Organization's investment objectives are the following (in order of priority): (1) Current income; (2) Capital preservation; (3) Growth; and (4) Liquidity.

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Strategies employed for achieving objectives:

The Council applies a total return concept to reporting the gains or losses and income of the Fund measuring the total return of the Fund in terms of the aggregate of income and gains or losses and growth using a moderate investment mix using the objectives described above.

The Organization has determined that the following guidelines shall be used to determine investment holdings. Portfolio targets (by class of investment) of: (1) between 35% to 70% equities (with no more than 20% in International Equity) (2) less than 38% fixed income (can include international fixed income investments); (3) 6% in alternative investments; and (4) 5% cash and cash equivalents.

Spending policy and how the investment objectives relate to spending policy:

The Council has a policy for providing annual distributions of the earnings and growth of the Fund that meets the above objectives while preserving the real (inflation adjusted) value of the Fund. In general, distributions may include interest and dividends earned by the Fund during the year, along with a portion of the unrealized and realized gains from the portfolio. In assessing the amount of unrealized and realized gains of the portfolio to consider with respect to the annual distribution, the Council will calculate the overall unrealized and realized gains of the Fund using a five-year rolling period, adjusted for inflation as measured by the CPI.

In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an amount that will keep pace with expected inflation, to preserve the real (inflation adjusted) value of the Fund. The Council adheres to the

provisions of SPMIFA, which states that the appropriation for expenditure in any year of an amount greater than 7 percent of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. Accordingly, the Council's policy is to expend an amount equal to the CPI plus 3%, but no more than 7% of the fair market value of the Fund as calculated above. The Council may – after considering the performance of the Fund and its operational needs - elect to expend less than the above targets.

Summary of endowment fund balances and activity:

Endowment net asset composition by type of fund and changes in these net assets are as follows as of and for the years ended December 31, 2015 and 2014.

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Endowment Net Asset Composition by Type of Fund as of December 31, 2015

<i>As of December 31, 2015</i>	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total	Prior year- 2014
Donor-restricted endowment fund	\$ 4,308,515	\$ 20,569	\$ 3,441,581	\$ 7,770,665	\$ 8,010,412
Total endowment funds	\$ 4,308,515	\$ 20,569	\$ 3,441,581	\$ 7,770,665	\$ 8,010,412

Change in Endowment Net Assets for the Year Ended December 31, 2015

<i>For the year ended December 31, 2015</i>	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total	Prior year- 2014
Endowment net assets, beginning of year	\$ 4,351,615	\$ 228,466	\$ 3,430,331	\$ 8,010,412	\$ 8,229,825
Investment return:					
Investment income (interest and dividends)	-	117,243	-	117,243	61,419
Net appreciation (depreciation) - realized and unrealized - in fair value of investments	-	(118,272)	-	(118,272)	61,871
Investment fees	-	(31,868)	-	(31,868)	(19,569)
Total investment return	-	(32,897)	-	(32,897)	103,721
Contributions	6,900	-	11,250	18,150	4,655
Interest income on note receivable		225,000		225,000	225,000
Transfers	-	-		-	(152,789)
Appropriation of endowment assets for expenditure	(50,000)	(400,000)	-	(450,000)	(400,000)
Endowment net assets, end of year	\$ 4,308,515	\$ 20,569	\$ 3,441,581	\$ 7,770,665	\$ 8,010,412

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NOTE 7

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

<i>As of December 31,</i>	2015	2014
Restricted by time:		
Portion of endowment subject to a time restriction under SPMIFA	\$ 20,569	\$ 228,466
Sub-total, restricted by time	20,569	228,466
Restricted by purpose -		
Long-term capital expenditures	1,183,143	376,417
Foundations, trusts, and other contributions	56,631	73,811
Total - temporarily restricted	\$ 1,260,343	\$ 678,694

Permanently restricted net assets, consisting of endowment fund investments required to be permanently retained either by explicit donor stipulation or by SPMIFA, were \$3,430,331 and \$3,429,331 at December 31, 2015 and 2014, respectively.

NOTE 8

SPECIAL EVENTS

Special events, net of direct costs during the years ended December 31, 2015 and 2014 consisted of:

<i>For the year ended December 31, 2015</i>	Proceeds	Direct Costs	Net
Shotgun tournament	\$ 5,440	\$ (1,131)	\$ 4,309
Distinguished Citizen Dinner	45,630	(16,819)	28,811
Other special events	15,150	(9,012)	6,138
	\$ 66,220	\$ (26,962)	\$ 39,258

<i>For the year ended December 31, 2014</i>	Proceeds	Direct Costs	Net
Shotgun tournament	\$ 7,707	\$ (2,645)	\$ 5,062
Distinguished Citizen Dinner	57,325	(20,292)	37,033
	\$ 65,032	\$ (22,937)	\$ 42,095

NOTE 9

RETIREMENT PLAN

The Boy Scouts of America has a defined benefit multiemployer retirement plan (the "Plan"), administered by the National Council, that covers eligible employees of the National Council and local councils. During the years ended December 31, 2015 and 2014, eligible employees contributed 2.0% of compensation and the Council contributed an additional 7.0% during the years then ended, respectively, of eligible employees' compensation to the Plan.

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During the years ended December 31, 2015 and 2014, the Council contributed \$37,473 and \$36,275, respectively, to the Plan.

NOTE 10

RELATED PARTY TRANSACTIONS

The Council supports the mission and operations of the National Council by remitting an annual National Service Fee and Charter Fee to the National Council. During the years ended December 31, 2015 and 2014, the Council remitted \$16,712 and \$18,349, respectively, in fees to the National Council.

The Council operates a Scout Shop, which sells Scouting-related supplies, equipment, and other items for the convenience of Scouts and their families. The Council purchases most of its supplies from the National Council. During the years ended December 31, 2015 and 2014, the Council purchased \$157,410 and \$144,395 in Scout Shop supplies from the National Council.

At December 31, 2015 and 2014, the Council owed the National Council \$4,563 and \$14,714, respectively, in unpaid fees, expenses, and goods and services purchased but not yet paid for.

NOTE 11

CONTINGENCIES

The Council is subject to certain legal actions and claims arising in the ordinary course of business. Based upon the nature of and management's understanding of the facts and circumstances which give rise to such actions and claims, management believes that such litigation and/or claims will be resolved without material effect on the Council's financial position or results of operations.

NOTE 12

SALE OF WILL J. REID PARK

In October 2013, the Council completed the sale of the Will J. Reid Scout Park ("Park") located in the City of Long Beach for \$6.0 million. The transaction included a \$1.3 million cash down payment (net of closing costs), and a \$4.5 million promissory note with interest at 5.0%, payable interest only at \$56,250 quarterly through the maturity date of October 3, 2016. The note receivable is collateralized by a Deed of Trust on the Park. The Council Board designated the note receivable of \$4.5 million and quarterly interest payments of \$56,250 to the Endowment Fund, to be appropriated to the Operating Fund based upon operational needs. All interest payments on the note receivable are current at December 31, 2015.

NOTE 13

CONDITIONAL PLEDGES

In 2013, the Council received a matching pledge of \$750,000 under a grant agreement (the "Grant") for the construction of a new camp dining hall. The Grant provides that \$750,000 will be awarded to the Organization, on the condition that the Council raise an amount equal to or greater than \$750,000 from other sources on or before August 31, 2015, for the construction of the dining hall. The Council realized this goal and has recorded the matching grant amount as pledges receivable during the year ended December 31, 2015.

In 2015, the Council entered into a conservation program contract of approximately \$428,000 with the United States Department of Agriculture ("USDA") payable over three (3) years to establish, implement and maintain certain conservation practices and activities on the Organization's Camp Tahquitz land. The Organization concluded the performance

As of and for the year ended December 31, 2015

obligations under the contract were substantial enough to preclude recording the revenue and expense in the Organization's financial statements at December 31, 2015. Subsequent to year end, the Organization contracted with a third party to perform the required conservation activities pursuant to the USDA contract. After completion of the contractual obligations, the Organization is projected to net approximately \$20,000.