



LONG BEACH AREA COUNCIL,
BOY SCOUTS OF AMERICA

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2016

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, 2016, 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, 2016, 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 2015 financial statements, and our report dated May 16, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rossi LLP

May 25, 2017
Long Beach, California

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

<i>As of December 31, 2016</i>	Operating Fund	Capital Fund	Endowment Fund	Total	Prior year- 2015
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 198,956	\$ -	\$ 306,810	\$ 505,766	\$ 571,204
Pledges receivable, net of allowance for uncollectible pledges of \$0 and \$1,485	24,575	750,000	-	774,575	874,123
Other receivables	38,730	-	66,000	104,730	25,120
Inventories	85,154	2,245	-	87,399	80,829
Prepaid expenses and other current assets	58,072	59,737	-	117,809	17,970
Note receivable	-	-	4,400,000	4,400,000	4,500,000
Total current assets	405,487	811,982	4,772,810	5,990,279	6,069,246
Long-term assets:					
Property and equipment, net of accumulated depreciation of \$2,203,343 and \$2,137,613	-	1,539,695	-	1,539,695	1,487,907
Long-term investments	-	-	2,969,518	2,969,518	2,721,717
Other assets	-	13,000	-	13,000	13,000
Inter-fund loans	-	(108,215)	108,215	-	-
Total long-term assets	-	1,444,480	3,077,733	4,522,213	4,222,624
Total assets	\$ 405,487	\$ 2,256,462	\$ 7,850,543	\$ 10,512,492	\$ 10,291,870
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 57,098	\$ -	\$ -	\$ 57,098	\$ 25,655
Accrued expenses and other current liabilities	16,579	-	-	16,579	36,844
Deferred revenue	101,400	10,084	-	111,484	20,943
Custodian accounts	100,947	-	-	100,947	87,175
Capital lease obligation - current	-	6,196	-	6,196	-
Total current liabilities	276,024	16,280	-	292,304	170,617
Long-term debt:					
Notes payable	-	26,759	-	26,759	38,327
Total liabilities	276,024	43,039	-	319,063	208,944
Commitments					
Net assets:					
Unrestricted	95,011	(329,391)	4,305,515	4,071,135	3,893,095
Unrestricted - investment in property and equipment, net	-	1,539,695	-	1,539,695	1,487,907
Total - unrestricted net assets	95,011	1,210,304	4,305,515	5,610,830	5,381,002
Temporarily restricted	34,452	1,003,119	103,447	1,141,018	1,260,343
Permanently restricted	-	-	3,441,581	3,441,581	3,441,581
Total net assets	129,463	2,213,423	7,850,543	10,193,429	10,082,926
Total liabilities and net assets	\$ 405,487	\$ 2,256,462	\$ 7,850,543	\$ 10,512,492	\$ 10,291,870

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, 2016</i>	Operating Fund	Capital Fund	Endowment Fund	Total	Prior year- 2015
<u>Changes in unrestricted net assets</u>					
Public support and revenue:					
Public support:					
Friends of Scouting	\$ 191,152	\$ -	\$ -	\$ 191,152	\$ 195,326
Special events, net of direct costs of \$20,469 and \$26,962	61,327	-	-	61,327	39,258
Foundations, trusts, and other contributions	60,561	9,360	-	69,921	60,798
United Way - designated contributions	885	-	-	885	3,249
Satisfaction of program/donor restrictions	218,236	307,445	-	525,681	325,421
Total public support	532,161	316,805	-	848,966	624,052
Revenue:					
Scout Shop sales, net of costs of goods sold of \$146,325 and \$149,789	97,979	-	-	97,979	83,557
Product sales, net of commissions paid to units and costs of goods sold totaling \$24,323 and \$52,962	44,472	-	-	44,472	46,224
Camping revenue	574,701	-	-	574,701	576,750
Activity revenue	73,916	-	-	73,916	83,737
Miscellaneous revenue	5,811	25,421	-	31,232	6,958
Operating appropriation	400,000	-	-	400,000	400,000
Total revenue	1,196,879	25,421	-	1,222,300	1,197,226
Total public support and revenue	1,729,040	342,226	-	2,071,266	1,821,278
Expenses:					
Program services	1,513,447	130,068	-	1,643,515	1,661,808
Management and general	96,802	10,471	-	107,273	106,907
Fundraising	69,103	2,424	-	71,526	72,056
Total expenses by function	1,679,352	142,962	-	1,822,314	1,840,771
National service and charter fee	19,124	-	-	19,124	16,712
Total expenses	1,698,476	142,962	-	1,841,438	1,857,483
Change in unrestricted net assets	\$ 30,564	\$ 199,264	\$ -	\$ 229,828	\$ (36,205)

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, 2016</i>	Operating Fund	Capital Fund	Endowment Funds	Total	Prior year- 2015
Changes in temporarily restricted net assets					
Public support:					
Foundations, trusts, and other contributions	\$ 196,057	\$ 127,421	\$ -	\$ 323,478	\$ 1,114,967
Satisfaction of program/donor restrictions	(218,236)	(307,445)	-	(525,681)	(325,421)
Total public support	(22,179)	(180,024)	-	(202,203)	789,546
Revenue:					
Interest and dividends, net of investment fees of \$31,291 and \$19,569	-	-	86,720	86,720	85,375
Gain (loss) on investments	-	-	161,408	161,408	(118,272)
Interest income on note receivable	-	-	234,750	234,750	225,000
Operating appropriation	-	-	(400,000)	(400,000)	(400,000)
Total revenue	-	-	82,878	82,878	(207,897)
Change in temporarily restricted net assets	\$ (22,179)	\$ (180,024)	\$ 82,878	\$ (119,325)	\$ 581,649
Change in permanently restricted net assets					
Public support:					
Foundations, trusts, and other contributions	-	-	-	-	11,250
Change in permanently restricted net assets	\$ -	\$ -	\$ -	\$ -	\$ 11,250
Summary of changes in net assets					
Net assets, beginning 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
Changes in net assets:					
Unrestricted	30,564	199,264	-	229,828	(36,205)
Temporarily restricted	(22,179)	(180,024)	82,878	(119,325)	581,649
Permanently restricted	-	-	-	-	11,250
	8,385	19,240	82,878	110,503	556,694
Transfers	(6,623)	9,623	(3,000)	-	-
Net assets, end of year:					
Unrestricted	95,011	1,210,304	4,305,515	5,610,830	5,381,002
Temporarily restricted	34,452	1,003,119	103,447	1,141,018	1,260,343
Permanently restricted	-	-	3,441,581	3,441,581	3,441,581
	\$ 129,463	\$ 2,213,423	\$ 7,850,543	\$ 10,193,429	\$ 10,082,926

The accompanying notes are an integral part of these financial statements

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

	2016				2015			
	Program Services	Management and General	Fundraising	Total Expenses by Function	Program Services	Management and General	Fundraising	Total Expenses by Function
Salaries	\$ 773,938	\$ 26,982	\$ 26,982	\$ 827,902	\$ 706,580	\$ 25,611	\$ 25,611	\$ 757,802
Payroll taxes	58,872	2,328	2,328	63,528	58,174	2,682	2,682	63,538
Employee benefits	98,448	18,459	6,153	123,060	92,909	17,421	5,807	116,137
Conferences and training	19,438	396	132	19,966	4,600	403	134	5,137
Depreciation	74,443	12,468	4,156	91,067	74,137	11,245	3,748	89,130
Equipment rent and maintenance	10,410	860	287	11,557	17,603	776	259	18,638
Insurance	53,742	2,825	942	57,509	56,307	3,246	1,082	60,635
Scout assistance	20,000	-	-	20,000	60,000	-	-	60,000
Miscellaneous	31,173	8,342	430	39,945	22,131	8,342	430	30,903
Occupancy	111,551	2,933	978	115,462	115,036	2,979	993	119,008
Postage and shipping	11,785	668	614	13,067	12,676	565	549	13,790
Printing and publications	22,009	709	5,869	28,587	31,189	480	6,113	37,782
Professional services	49,098	25,603	17,382	92,083	40,860	25,603	17,382	83,845
Recognition awards	48,665	25	2,082	50,772	72,873	3,025	4,706	80,604
Supplies	214,324	1,809	2,236	218,369	246,499	1,807	1,653	249,959
Telephone	17,117	1,230	410	18,757	14,896	1,060	353	16,309
Travel	28,502	1,636	545	30,683	35,338	1,662	554	37,554
Total expenses by function	\$ 1,643,515	\$ 107,273	\$ 71,526	\$ 1,822,314	\$ 1,661,808	\$ 106,907	\$ 72,056	\$ 1,840,771

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, 2016</i>	Operating Fund	Capital Fund	Endowment Fund	Total	Prior year- 2015
Cash flows from operating activities:					
Change in net assets	\$ 8,385	\$ 19,240	\$ 82,878	\$ 110,503	\$ 556,694
Adjustments to reconcile change in net assets to provided by (used in) operating activities:					
Depreciation	-	91,067	-	91,067	89,130
Provision for uncollectible pledges	-	-	-	-	1,485
In-kind contribution of long-lived property	-	(3,721)	-	(3,721)	-
Contributions restricted for long-term purposes	-	-	-	-	(157,667)
Gain in value - long-term investments	-	-	(161,408)	(161,408)	118,272
(Increase) decrease in assets:					
Interest receivable			(66,000)	(66,000)	-
Interfund loans	-	(677)	677	-	-
Cash restricted for long-term purposes	-	-	-	-	157,667
Pledges receivable	(3,202)	92,750	10,000	99,548	(603,627)
Other receivables	(13,610)	-	-	(13,610)	(1,369)
Inventories	(4,325)	(2,245)	-	(6,570)	(12,164)
Prepaid expenses and other current assets	(40,102)	(59,735)	-	(99,837)	5,918
Increase (decrease) in liabilities:					
Accounts payable	31,443	-	-	31,443	(18,482)
Accrued expenses	(8,387)	(11,878)	-	(20,265)	14,894
Deferred revenue	80,457	10,082	-	90,539	2,573
Custodian accounts	13,772	-	-	13,772	29,311
Net cash provided by (used in) operating activities	64,431	134,883	(33,853)	165,461	182,635
Cash flows from investing activities:					
Acquisition of property and equipment	-	(139,134)	-	(139,134)	(176,880)
Purchases of investments	-	-	(86,393)	(86,393)	(84,926)
Net cash provided by (used in) investing activities	-	(139,134)	(86,393)	(225,527)	(261,806)
Cash flows from financing activities:					
Cash contributions restricted for long-term	-	-	-	-	157,667
Payments on capital lease obligation	-	(5,372)	-	(5,372)	(6,954)
Net cash provided by (used in) financing activities	(6,623)	4,251	(3,000)	(5,372)	150,713
Net change in cash and cash equivalents	57,808	-	(123,246)	(65,438)	71,542
Cash and cash equivalents, beginning of year	141,148	-	430,056	571,204	499,662
Cash and cash equivalents, end of year	\$ 198,956	\$ -	\$ 306,810	\$ 505,766	\$ 571,204
Supplementary disclosure of cash flow information:					
Non-cash financing of long-lived property	\$ -	\$ -	\$ -	\$ -	\$ 38,427
Recognition of in-kind contributions and related assets and expenses	\$ 7,506	\$ 3,721	\$ -	\$ 11,227	\$ 18,155

The accompanying notes are an integral part of these financial statements

As of and for the year ended December 31, 2016

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, 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, 2016 through May 25, 2017, 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, 2016

NOTE 2 – CONTINUED

**SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

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 \$108,215 and \$108,892 at December 31, 2016 and 2015, 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, 2016 and 2015, the Council recorded a provision for uncollectible pledges of \$0 and \$1,485, 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, 2016

NOTE 2 – CONTINUED

**SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

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 \$11,227 and \$18,155 for the years ended December 31, 2016 and 2015, respectively, have been included as contributions in the statement of activities and changes in net assets and classified as property and equipment and 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

As of and for the year ended December 31, 2016

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2016 and 2015, 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 and does not anticipate non-performance by the brokerage firms.

In addition, the Organization, at various times, maintained financial instruments in excess of the Federal Deposit Insurance Corporation (“FDIC”) maximum insured deposit limit of \$250,000 at December 31, 2016 and 2015, 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, 2016 or 2015.

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, 2016 and 2015.

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, 2016 and 2015 that it had unrelated business income and accordingly, no

As of and for the year ended December 31, 2016

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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>	2016	2015
Land	\$ 233,814	\$ 233,814
Buildings and improvements	2,362,221	2,358,911
Furniture & equipment	548,753	541,638
Vehicles	161,964	187,301
Aquatic equipment	279,471	276,371
	3,743,038	3,625,520
Less: accumulated depreciation	(2,203,343)	(2,137,613)
	\$ 1,539,695	\$ 1,487,907

The Organization recorded depreciation expense of \$91,067 and \$89,130 for the years ended December 31, 2016 and 2015, 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-

As of and for the year ended December 31, 2016

NOTE 4 – CONTINUED

INVESTMENTS AND FAIR VALUE MEASUREMENTS

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 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>	2016	2015
<u>Level I</u>		
Mutual funds, equity, and debt securities	\$ 2,925,897	\$ 2,550,776
Money market cash	43,621	170,941
Total Level I	2,969,518	2,721,717
Total investments	\$ 2,969,518	\$ 2,721,717

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>	2016	2015
Interest and dividends	\$ 117,390	\$ 117,243
Investment fees	(30,670)	(31,868)
Gain (loss) on investments	161,408	(118,272)
Total investment income	\$ 248,128	\$ (32,897)

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 \$32,955 at December 31, 2016.

As of and for the year ended December 31, 2016

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 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

As of and for the year ended December 31, 2016

NOTE 6 – CONTINUED

ENDOWMENT FUNDS

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.

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

As of and for the year ended December 31, 2016

NOTE 6 – CONTINUED

ENDOWMENT FUNDS

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, 2016 and 2015.

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

As of and for the year ended December 31, 2016

NOTE 6 – CONTINUED

ENDOWMENT FUNDS

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

<i>As of December 31, 2016</i>	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total	Prior year- 2015
Donor-restricted endowment fund	\$ 4,305,515	\$ 103,447	\$ 3,441,581	\$ 7,850,543	\$ 7,770,665
Total endowment funds	\$ 4,305,515	\$ 103,447	\$ 3,441,581	\$ 7,850,543	\$ 7,770,665

Change in Endowment Net Assets for the Year Ended December 31, 2016

<i>For the year ended December 31, 2016</i>	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total	Prior year- 2015
Endowment net assets, beginning of year	\$ 4,308,515	\$ 20,569	\$ 3,441,581	\$ 7,770,665	\$ 8,010,412
Investment return:					
Investment income (interest and dividends)	-	117,390	-	117,390	117,243
Net appreciation (depreciation) - realized and unrealized - in fair value of investments	-	161,408	-	161,408	(118,272)
Investment fees	-	(30,670)	-	(30,670)	(31,868)
Total investment return	-	248,128	-	248,128	(32,897)
Contributions	-	-	-	-	18,150
Transfers	(3,000)	-	-	(3,000)	-
Interest income on note receivable	-	234,750	-	234,750	225,000
Appropriation of endowment assets for expenditure	-	(400,000)	-	(400,000)	(450,000)
Endowment net assets, end of year	\$ 4,305,515	\$ 103,447	\$ 3,441,581	\$ 7,850,543	\$ 7,770,665

As of and for the year ended December 31, 2016

NOTE 7

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

<i>As of December 31,</i>	2016	2015
Restricted by time:		
Portion of endowment subject to a time restriction under SPMIFA	\$ 103,447	\$ 20,569
Sub-total, restricted by time	103,447	20,569
Restricted by purpose -		
Long-term capital expenditures	1,003,119	1,183,143
Foundations, trusts, and other contributions	34,452	56,631
Total - temporarily restricted	\$ 1,141,018	\$ 1,260,343

Permanently restricted net assets, consisting of endowment fund investments required to be permanently retained either by explicit donor stipulation or by SPMIFA, were \$3,441,581 and \$3,441,581 at December 31, 2016 and 2015, respectively.

NOTE 8

SPECIAL EVENTS

Special events, net of direct costs during the years ended December 31, 2016 and 2015 consisted of:

<i>For the year ended December 31, 2016</i>	Proceeds	Direct Costs	Net
Distinguished Citizen Dinner	\$ 81,796	\$ (20,469)	\$ 61,327
	\$ 81,796	\$ (20,469)	\$ 61,327

<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

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, 2016 and 2015, 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.

During the years ended December 31, 2016 and 2015, the Council contributed \$37,931 and \$37,473, respectively, to the Plan.

As of and for the year ended December 31, 2016

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, 2016 and 2015, the Council remitted \$19,124 and \$16,712, 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, 2016 and 2015, the Council purchased \$145,434 and \$157,410 in Scout Shop supplies from the National Council.

At December 31, 2016 and 2015, the Council owed the National Council \$7,113 and \$4,563, 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.

On August 31, 2016, the Organization granted an extension of the due date to April 3, 2017 by accepting \$100,000 in principal payment and an increase in interest rate from 5% to 6%. The Organization accrued \$66,000 of interest at December 31, 2016 which represents three months' interest at 6%, and is presented on the statements of financial position as other receivables under the endowment fund. All interest and principal on the note receivable are current as of December 31, 2016. On February 2017, the Organization collected both interest and principal of this note receivable in full.

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

As of and for the year ended December 31, 2016

NOTE 13 – CONTINUED

CONDITIONAL PLEDGES

realized this goal and has recorded the matching grant amount as pledges receivable during 2015. The pledge remains in full as of December 31, 2016 and management is expecting a full collection in the subsequent year.

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 obligations under the contract were substantial enough to preclude recording the revenue and expense in the Organization's financial statements. During the year ended December 31, 2016, the Organization contracted with a third party to perform the required conservation activities pursuant to the USDA contract. Cost incurred during the year is included as prepaid expenses under capital fund on the statements of financial position as of December 31, 2016. After completion of the contractual obligations, the Organization is projected to net approximately \$20,000.