

**Greater Los Angeles Area Council,
Boy Scouts of America**

Financial Statements

December 31, 2017 and 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Los Angeles Area Council, Boy Scouts of America
Los Angeles, California

We have audited the accompanying financial statements of Greater Los Angeles Area Council, Boy Scouts of America (a California nonprofit corporation) (the "Council"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 ("U.S. GAAP"); 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 U.S. 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Los Angeles Area Council, Boy Scouts of America as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Los Angeles, California

June 19, 2018

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Financial Position
 December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
ASSETS								
Current assets								
Cash and cash equivalents	\$ 1,824,675	\$ 602,684	\$ 167,400	\$ 49,780	\$ 51,795	\$ 37,943	\$ 2,043,870	\$ 690,407
Accounts receivable	80,955	115,210	-	-	-	-	80,955	115,210
Pledges receivable, net	1,500	40,123	310,000	900,000	241	546	311,741	940,669
Prepaid and other current assets	132,103	338,991	-	-	-	-	132,103	338,991
Note receivable, current	-	-	184,830	150,865	-	-	184,830	150,865
Total current assets	<u>2,039,233</u>	<u>1,097,008</u>	<u>662,230</u>	<u>1,100,645</u>	<u>52,036</u>	<u>38,489</u>	<u>2,753,499</u>	<u>2,236,142</u>
Property and equipment	-	-	33,290,219	32,676,837	-	-	33,290,219	32,676,837
Non-current assets								
Investments	-	-	-	-	18,128,457	13,270,190	18,128,457	13,270,190
Gift annuities receivable	-	-	-	-	47,736	47,484	47,736	47,484
Beneficial interest in charitable remainder trust	-	-	-	-	49,217	42,172	49,217	42,172
Beneficial interest in perpetual trusts	-	-	-	-	2,375,237	2,153,587	2,375,237	2,153,587
Land held for sale	585,000	-	202,500	585,214	-	-	787,500	585,214
Note receivable, net of current portion	-	-	334,678	543,010	-	-	334,678	543,010
Advances between funds	-	-	-	(4,598,307)	-	4,598,307	-	-
Total non-current assets	<u>585,000</u>	<u>-</u>	<u>537,178</u>	<u>(3,470,083)</u>	<u>20,600,647</u>	<u>20,111,740</u>	<u>21,722,825</u>	<u>16,641,657</u>
Total assets	<u>\$ 2,624,233</u>	<u>\$ 1,097,008</u>	<u>\$ 34,489,627</u>	<u>\$ 30,307,399</u>	<u>\$ 20,652,683</u>	<u>\$ 20,150,229</u>	<u>\$ 57,766,543</u>	<u>\$ 51,554,636</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Financial Position
 December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
LIABILITIES AND NET ASSETS								
Current liabilities								
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,815,460	\$ -	\$ 4,815,460
Accounts payable	65,697	170,404	-	-	3,681	-	69,378	170,404
Accrued expenses	215,193	105,973	-	1,183	4,000	-	219,193	107,156
Custodial accounts	882,002	716,497	-	-	-	-	882,002	716,497
Deferred income	160,959	510,985	-	-	-	-	160,959	510,985
Liability under charitable remainder trust	-	-	-	-	14,969	14,969	14,969	14,969
Total current liabilities	<u>1,323,851</u>	<u>1,503,859</u>	<u>-</u>	<u>1,183</u>	<u>22,650</u>	<u>4,830,429</u>	<u>1,346,501</u>	<u>6,335,471</u>
Commitments and contingencies (Notes 13, 14 and 15)								
Net assets								
Unrestricted	1,278,082	(471,221)	33,329,627	28,856,216	1,864,262	7,330,519	36,471,971	35,715,514
Temporarily restricted	22,300	64,370	1,160,000	1,450,000	81,984	74,687	1,264,284	1,589,057
Permanently restricted	-	-	-	-	18,683,787	7,914,594	18,683,787	7,914,594
Total net assets	<u>1,300,382</u>	<u>(406,851)</u>	<u>34,489,627</u>	<u>30,306,216</u>	<u>20,630,033</u>	<u>15,319,800</u>	<u>56,420,042</u>	<u>45,219,165</u>
Total liabilities and net assets	<u>\$ 2,624,233</u>	<u>\$ 1,097,008</u>	<u>\$ 34,489,627</u>	<u>\$ 30,307,399</u>	<u>\$ 20,652,683</u>	<u>\$ 20,150,229</u>	<u>\$ 57,766,543</u>	<u>\$ 51,554,636</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Activities
 For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
<u>Changes in unrestricted net assets</u>								
Public support and revenue								
Direct support								
Friends of Scouting	\$ 794,242	\$ 646,283	\$ -	\$ -	\$ -	\$ -	\$ 794,242	\$ 646,283
Capital campaign	-	-	1,000	5,000	-	-	1,000	5,000
Special fundraising events, net of direct costs of \$63,459 and \$139,927	755,394	468,184	-	-	-	-	755,394	468,184
Foundations and trusts	534,500	393,790	-	-	-	-	534,500	393,790
Donated services and rent	600,432	434,423	18,122	314,734	-	-	618,554	749,157
Legacies and bequests	1,197,867	318,585	-	-	1,000	-	1,198,867	318,585
Other direct support	<u>134,730</u>	<u>103,363</u>	<u>296,365</u>	<u>40,466</u>	<u>-</u>	<u>2,310</u>	<u>431,095</u>	<u>146,139</u>
Total direct support	<u>4,017,165</u>	<u>2,364,628</u>	<u>315,487</u>	<u>360,200</u>	<u>1,000</u>	<u>2,310</u>	<u>4,333,652</u>	<u>2,727,138</u>
Other revenue								
Product sales - net	236,264	200,216	-	-	-	-	236,264	200,216
Investment income	59,206	48,905	-	-	1,533,710	745,688	1,592,916	794,593
Camping revenue	3,606,429	3,220,520	-	-	-	-	3,606,429	3,220,520
Activity revenue	998,781	410,303	-	-	-	-	998,781	410,303
Other revenue	218,154	167,241	41,633	294,458	-	-	259,787	461,699
Rental income	126,203	154,315	-	-	-	-	126,203	154,315
Gain on obligation under interest rate swap	-	-	-	93,914	-	-	-	93,914
Gain on sale of properties	-	-	-	7,019,758	-	-	-	7,019,758
Write off of property and equipment	-	-	-	(129,058)	-	-	-	(129,058)
Total other revenue	<u>5,245,037</u>	<u>4,201,500</u>	<u>41,633</u>	<u>7,279,072</u>	<u>1,533,710</u>	<u>745,688</u>	<u>6,820,380</u>	<u>12,226,260</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Activities
 For the Years Ended December 31, 2017 and 2016

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net assets released from restriction								
Release from purpose restriction	5,000	50,000	290,000	200,000	-	-	295,000	250,000
Release from time restriction	48,645	6,750	-	-	-	-	48,645	6,750
Total net assets released from restriction	<u>53,645</u>	<u>56,750</u>	<u>290,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>343,645</u>	<u>256,750</u>
Total public support and revenue	<u>9,315,847</u>	<u>6,622,878</u>	<u>647,120</u>	<u>7,839,272</u>	<u>1,534,710</u>	<u>747,998</u>	<u>11,497,677</u>	<u>15,210,148</u>
Functional expenses								
Program services	<u>7,767,780</u>	<u>7,306,372</u>	<u>1,007,673</u>	<u>1,766,952</u>	<u>95,990</u>	<u>2,518</u>	<u>8,871,443</u>	<u>9,075,842</u>
Supporting services								
Management and general	840,416	954,729	6,275	62,871	7,997	210	854,688	1,017,810
Fundraising	<u>902,866</u>	<u>622,940</u>	<u>8,068</u>	<u>80,834</u>	<u>10,282</u>	<u>11,518</u>	<u>921,216</u>	<u>715,292</u>
Total supporting services	<u>1,743,282</u>	<u>1,577,669</u>	<u>14,343</u>	<u>143,705</u>	<u>18,279</u>	<u>11,728</u>	<u>1,775,904</u>	<u>1,733,102</u>
Total functional expenses	<u>9,511,062</u>	<u>8,884,041</u>	<u>1,022,016</u>	<u>1,910,657</u>	<u>114,269</u>	<u>14,246</u>	<u>10,647,347</u>	<u>10,808,944</u>
Charter and national service fees	<u>93,872</u>	<u>96,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,872</u>	<u>96,862</u>
Total expenses	<u>9,604,934</u>	<u>8,980,903</u>	<u>1,022,016</u>	<u>1,910,657</u>	<u>114,269</u>	<u>14,246</u>	<u>10,741,219</u>	<u>10,905,806</u>
Change in unrestricted net assets before interfund transfers	<u>(289,087)</u>	<u>(2,358,025)</u>	<u>(374,896)</u>	<u>5,928,615</u>	<u>1,420,441</u>	<u>733,752</u>	<u>756,458</u>	<u>4,304,342</u>
Interfund transfers	<u>2,038,390</u>	<u>2,570,410</u>	<u>4,848,307</u>	<u>309,110</u>	<u>(6,886,697)</u>	<u>(2,879,520)</u>	<u>-</u>	<u>-</u>
Change in unrestricted net assets	<u>1,749,303</u>	<u>212,385</u>	<u>4,473,411</u>	<u>6,237,725</u>	<u>(5,466,256)</u>	<u>(2,145,768)</u>	<u>756,458</u>	<u>4,304,342</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Activities
 For the Years Ended December 31, 2017 and 2016

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Change in temporarily restricted net assets</u>								
Foundations, trusts, and memorials	-	-	-	1,200,000	-	-	-	1,200,000
Friends of Scouting	11,575	45,000	-	-	-	-	11,575	45,000
Contribution received in conjunction with sale of properties	-	-	-	250,000	-	-	-	250,000
Change in value of gift annuities receivable	-	-	-	-	252	3,877	252	3,877
Change in value of beneficial trust	-	-	-	-	7,045	4,098	7,045	4,098
Release from purpose restriction	(5,000)	(50,000)	(290,000)	(200,000)	-	-	(295,000)	(250,000)
Release from time restriction	(48,645)	(6,750)	-	-	-	-	(48,645)	(6,750)
	<u>(42,070)</u>	<u>(11,750)</u>	<u>(290,000)</u>	<u>1,250,000</u>	<u>7,297</u>	<u>7,975</u>	<u>(324,773)</u>	<u>1,246,225</u>
<u>Change in temporarily restricted net assets</u>								
<u>Permanently restricted net assets</u>								
Other direct support	-	-	-	-	10,512,543	37,188	10,512,543	37,188
Change in value of beneficial interest in perpetual trusts	-	-	-	-	256,650	86,775	256,650	86,775
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,769,193</u>	<u>123,963</u>	<u>10,769,193</u>	<u>123,963</u>
<u>Change in permanently restricted net assets</u>								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,769,193</u>	<u>123,963</u>	<u>10,769,193</u>	<u>123,963</u>
Change in net assets	1,707,233	200,635	4,183,411	7,487,725	5,310,234	(2,013,830)	11,200,878	5,674,530
Net assets, beginning of year	(406,851)	(607,486)	30,306,216	22,818,491	15,319,800	17,333,630	45,219,165	39,544,635
Net assets, end of year	<u>\$ 1,300,382</u>	<u>\$ (406,851)</u>	<u>\$ 34,489,627</u>	<u>\$ 30,306,216</u>	<u>\$ 20,630,034</u>	<u>\$ 15,319,800</u>	<u>\$ 56,420,043</u>	<u>\$ 45,219,165</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation				
Salaries and wages	\$ 2,491,200	\$ 657,078	\$ 380,025	\$ 3,528,303
Employee benefits	435,298	36,275	46,639	518,212
Payroll taxes, workers' compensation, and employee related expenses	<u>227,864</u>	<u>41,787</u>	<u>21,829</u>	<u>291,480</u>
Total employee compensation	<u>3,154,362</u>	<u>735,140</u>	<u>448,493</u>	<u>4,337,995</u>
Other expenses				
Occupancy and utilities	1,161,650	13,687	17,645	1,192,982
Legal and professional Fees	633,977	49,749	176,099	859,825
Supplies	952,890	3,773	54,764	1,011,427
Interest expense	86,150	7,179	9,230	102,559
Travel and living	736,257	2,416	11,309	749,982
Insurance	238,048	18,257	23,473	279,778
Rental and maintenance of equipment	174,989	8,363	11,102	194,454
Telephone	132,583	4,765	9,172	146,520
Specific assistance to individuals	169,392	-	-	169,392
Other expenses	51,522	2,146	87,408	141,076
Conferences and meetings	275,633	2,064	11,567	289,264
Postage and shipping	64,678	1,979	4,125	70,782
Recognition and awards	64,743	1,991	28,212	94,946
Publication and media services	<u>9,531</u>	<u>-</u>	<u>24,530</u>	<u>34,061</u>
Total other expenses	<u>4,752,043</u>	<u>116,369</u>	<u>468,636</u>	<u>5,337,048</u>
Expenses before depreciation and amortization	7,906,405	851,509	917,129	9,675,043
Depreciation and amortization	<u>965,038</u>	<u>3,179</u>	<u>4,087</u>	<u>972,304</u>
	<u>\$ 8,871,443</u>	<u>\$ 854,688</u>	<u>\$ 921,216</u>	<u>\$ 10,647,347</u>
Percentage of total	<u>83.3 %</u>	<u>8.0 %</u>	<u>8.7 %</u>	<u>100.0 %</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation				
Salaries and wages	\$ 2,669,164	\$ 570,527	\$ 303,218	\$ 3,542,909
Employee benefits	400,328	85,569	45,478	531,375
Payroll taxes, workers' compensation, and employee related expenses	<u>272,430</u>	<u>58,231</u>	<u>30,949</u>	<u>361,610</u>
Total employee compensation	<u>3,341,922</u>	<u>714,327</u>	<u>379,645</u>	<u>4,435,894</u>
Other expenses				
Occupancy and utilities	1,236,673	13,716	18,135	1,268,524
Legal and professional fees	753,568	201,037	125,425	1,080,030
Supplies	997,681	3,457	12,532	1,013,670
Interest expense	383,327	31,944	41,070	456,341
Travel and living	381,631	3,459	11,817	396,907
Insurance	242,110	18,348	23,591	284,049
Rental and maintenance of equipment	179,962	12,368	14,405	206,735
Telephone	137,850	5,625	9,314	152,789
Specific assistance to individuals	133,027	-	-	133,027
Other expenses	100,413	7,088	20,512	128,013
Conferences and meetings	79,758	1,239	21,770	102,767
Postage and shipping	78,188	2,251	5,551	85,990
Recognition and awards	40,507	194	25,861	66,562
Publication and media services	<u>13,678</u>	<u>118</u>	<u>2,272</u>	<u>16,068</u>
Total other expenses	<u>4,758,373</u>	<u>300,844</u>	<u>332,255</u>	<u>5,391,472</u>
Expenses before depreciation and amortization	8,100,295	1,015,171	711,900	9,827,366
Depreciation and amortization	<u>975,547</u>	<u>2,639</u>	<u>3,392</u>	<u>981,578</u>
	<u>\$ 9,075,842</u>	<u>\$ 1,017,810</u>	<u>\$ 715,292</u>	<u>\$ 10,808,944</u>
Percentage of total	<u>84.0 %</u>	<u>9.4 %</u>	<u>6.6 %</u>	<u>100.0 %</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash flows from operating activities								
Change in net assets	\$ 1,707,233	\$ 200,635	\$ 4,183,411	\$ 7,487,725	\$ 5,310,234	\$ (2,013,830)	\$ 11,200,878	\$ 5,674,530
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Allowance for uncollectible pledges receivable	29,865	3,250	-	-	-	-	29,865	3,250
Depreciation and amortization	-	-	972,304	981,578	-	-	972,304	981,578
Donated land	(585,000)	-	-	-	-	-	(585,000)	-
Reinvested dividends and interest	(59,206)	(48,905)	-	-	(525,334)	(220,603)	(584,540)	(269,508)
Realized and unrealized gain on investments	-	-	-	-	(1,082,948)	(618,436)	(1,082,948)	(618,436)
Investment fees	-	-	-	-	74,572	93,351	74,572	93,351
Gain on obligation under interest rate swap	-	-	-	(93,914)	-	-	-	(93,914)
Gain on sale of properties	-	-	-	(7,019,758)	-	-	-	(7,019,758)
Write off of property and equipment	-	-	-	129,058	-	-	-	129,058
Contributions restricted for long-term purposes	-	-	-	-	(10,512,543)	(37,188)	(10,512,543)	(37,188)
Change in value of gift annuities	-	-	-	-	(252)	(3,877)	(252)	(3,877)
Change in value of beneficial interest charitable remainder trust	-	-	-	-	(7,045)	(4,098)	(7,045)	(4,098)
Change in value of interest in perpetual trust	-	-	-	-	(221,650)	(86,775)	(221,650)	(86,775)

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Changes in operating assets and liabilities								
Accounts receivable	34,255	(70,514)	-	-	-	-	34,255	(70,514)
Pledges receivable	8,758	33,477	590,000	(900,000)	305	3,279	599,063	(863,244)
Prepaid and other current assets	206,888	(192,017)	-	-	-	-	206,888	(192,017)
Accounts payable	(104,707)	(26,250)	-	(3,733)	3,680	-	(101,027)	(29,983)
Accrued expenses	168,426	(160,103)	(1,184)	(21,287)	4,000	-	171,242	(181,390)
Custodial accounts	165,505	37,555	-	-	-	-	165,505	37,555
Deferred income	(350,026)	378,991	-	-	-	-	(350,026)	378,991
Net cash provided by provided by (used in) operating activities	1,221,991	156,119	5,744,531	559,669	(6,956,981)	(2,888,177)	9,541	(2,172,389)
Cash flows from investing activities								
Purchases of property and equipment	-	-	(1,202,971)	(673,221)	-	-	(1,202,971)	(673,221)
Proceeds from sale of properties	-	-	-	7,356,131	-	-	-	7,356,131
Net transfers	-	-	-	-	3,462,399	-	3,462,399	-
Sales of investments	-	-	-	-	16,643,704	20,425,910	16,643,704	20,425,910
Purchases of investments	-	-	-	-	(23,430,660)	(17,760,549)	(23,430,660)	(17,760,549)
Payments on note receivable	-	-	174,367	-	-	-	174,367	-
Net cash provided by (used in) investing activities	-	-	(1,028,604)	6,682,910	(3,324,557)	2,665,361	(4,353,161)	9,348,271

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total Funds</u>	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash flows from financing activities								
Contributions restricted for long-term purposes	-	-	-	-	10,512,543	37,188	10,512,543	37,188
Liquidation of interest rate swap	-	-	-	(2,128,000)	-	-	-	(2,128,000)
Liquidation of notes payable	-	-	-	(9,800,000)	-	-	-	(9,800,000)
Line of credit	-	-	-	-	(4,815,460)	4,815,460	(4,815,460)	4,815,460
Advances between funds	-	-	(4,598,307)	4,598,307	4,598,307	(4,598,307)	-	-
Net cash provided by provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>(4,598,307)</u>	<u>(7,329,693)</u>	<u>10,295,390</u>	<u>254,341</u>	<u>5,697,083</u>	<u>(7,075,352)</u>
Net increase in cash and cash equivalents	1,221,991	156,119	117,620	(87,114)	13,852	31,525	1,353,463	100,530
Cash and cash equivalents, beginning of year	<u>602,684</u>	<u>446,565</u>	<u>49,780</u>	<u>136,894</u>	<u>37,943</u>	<u>6,418</u>	<u>690,407</u>	<u>589,877</u>
Cash and cash equivalents, end of year	<u>\$ 1,824,675</u>	<u>\$ 602,684</u>	<u>\$ 167,400</u>	<u>\$ 49,780</u>	<u>\$ 51,795</u>	<u>\$ 37,943</u>	<u>\$ 2,043,870</u>	<u>\$ 690,407</u>
Supplemental disclosure of cash flow information								
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,464</u>	<u>\$ 102,560</u>	<u>\$ 877</u>	<u>\$ 102,560</u>	<u>\$ 456,341</u>
Supplemental schedule of noncash investing and financing activities								
Note receivable received in connection with sale of properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,875</u>
Donated land	<u>\$ 585,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

1. NATURE OF OPERATIONS

The Greater Los Angeles Area Council, Boy Scouts of America (the Council), located in Los Angeles, California, is a non-profit California corporation operating under a charter from the National Council of the Boy Scouts of America (The National Council). The program facilitates meaningful contact and communication among youth, parents, and other community organizations to help young people adopt strong values and life skills. The program presents activities which are fun and interesting, providing valuable experiences directed at the maturity and interests of the young people at their appropriate age and ability levels.

The Council provides services to young men ages 7-21 and young women ages 14-21.

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

The Council's strength lies in its vast core of thousands of volunteers that provide leadership at every level of the organization from its Board of Directors to unit volunteers. Much of the Council's efforts seek to enhance its volunteer leadership core through training, supplies, and facilities for Scout activities.

The Councils are classified as follows:

- Lion Cubs and Tiger Cubs - One-year, family-oriented program for a group of teams, each consisting of a Kindergarten boy for Lions and a first-grade (or 7-year-old) boy for Tigers and an adult partner (usually a parent). Lion and Tiger Cub dens are part of the Cub Scout pack.
- Cub Scouts - Family and community-centered approach for boys ages 8 through 10 for teaching citizenship, compassion, social skills and courage through service projects, ceremonies, games, and other activities that promote character development and physical fitness.
- Boy Scouting - With the Scout Oath and Scout Law as guides, and the support of parents, religious and neighborhood organizations, Scouts ages 11 through 18 develop an awareness and appreciation of their role in their community and become well-rounded young men through the advancement of the program. Scouts progress in rank through achievements, gain additional knowledge and responsibilities, and earn merit badges that introduce a lifelong hobby or a rewarding career.
- Varsity Scouting - Program for young men ages 14 through 17 that provides options for those who are looking for rugged high adventure or challenging sporting activities and still want to be a part of a Scouting program that offers the advancement opportunities and values of the Boy Scouts of America. There are five fields of emphasis, including advancement, high-adventure sports, personal development, service, and special programs and events.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

1. NATURE OF OPERATIONS (continued)

- Venturing - Provides experiences to help young men and women, ages 13 or 14 with completion of eighth grade - through age 20, become mature, responsible, caring adults. Young teens learn leadership skills and participate in challenging outdoor activities, including having access to Boy Scout camping properties, a recognition program, and youth protection training.
- Exploring - Program is a skill-based career orientated program for youth ages 14 through 20. The program is sponsored by police departments, fire departments and other professional community-based entities.

Scouting membership of the Council is as follows (unaudited):

	2017	2016
Cub scouts	7,858	7,555
Boy scouts	8,168	8,180
Venturers	672	729
Total Boy Scouts of America Youth	16,698	16,464
Exploring	2,525	2,358
Total membership	19,223	18,822

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- *Unrestricted net assets* - These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions. At December 31, 2017 and 2016, included in unrestricted net assets are Board-designated net assets totaling \$1,864,262 and \$7,330,519, respectively, that are part of the Endowment Fund.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Temporarily restricted net assets* - The Council reports gifts of cash and other assets as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets either by time or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from purpose or time restrictions. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as unrestricted support in the statement of activities. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets are released from purpose or time restrictions. At December 31, 2017 and 2016, the Council had \$1,264,284 and \$1,589,057, respectively, of temporarily restricted net assets.
- *Permanently restricted net assets* - Net assets that are received from donors who stipulate that resources are to be maintained permanently, but permit the Council to expend all of the income (or other economic benefits) derived from the donated assets that are included as permanently restricted net assets. At December 31, 2017 and 2016, the Council had \$18,683,787 and \$7,914,594, respectively, of permanently restricted net assets.

Fund accounting

The Council accounts for and reports transactions in established fund groups as required by the National Council, for the purpose of identifying those resources which are available.

Operating Fund - The fund includes unrestricted and temporarily restricted resources which are available to support the Council's current operations.

Capital Fund - The fund is used to account for the Council's physical assets and resources set aside for the acquisition of those assets. The temporarily restricted portion relates to resources which have been donated to the Council for the purchase or improvement of property and equipment.

Endowment Fund - The fund includes all of the Council's investments, excluding those accounted for specifically in other funds. The fund was established to account for resources for the Council's future operations. The fund includes unrestricted, temporarily restricted, and permanently restricted resources.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Council considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Funds temporarily maintained in money market accounts at the brokerage firm holding the Council's investments are included in the investment balances on the statement of financial position.

Custodial accounts

The Council holds deposits of cash in banks on behalf of affiliated organizations. As the Council has little or no discretion over the use of these funds, a liability for custodial accounts is included on the statement of financial position. As of December 31, 2017 and 2016, cash held in custodial accounts totaled \$882,002 and \$716,497, respectively.

Accounts receivable

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At December 31, 2017 and 2016, accounts receivable are deemed fully collectible, and therefore no allowance for doubtful accounts has been provided.

Pledges receivable

Pledges receivable are recorded at estimated fair value and are recognized as revenues when the pledge is received. The Council reports unconditional pledges as restricted support if they are received with donor stipulations that limit the use of donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. Pledges receivable with donor-imposed restrictions that are met in the same period as received are reported as unrestricted net assets. The Council evaluated the collectibility of pledges receivable and established an allowance for uncollectible pledges of \$33,865 and \$4,000 at December 31, 2017 and 2016, respectively. The Council expects that substantially all of the pledges receivable outstanding, net of the allowance for uncollectible pledges, at December 31, 2017 will be collected within the next year.

Notes receivable

Notes receivable are recorded when the note agreement is fully executed. Management evaluates the collectibility of notes receivable on an annual basis and records an allowance for doubtful notes when deemed necessary. At December 31, 2017 and , the note receivable was deemed fully collectible, and therefore no allowance has been recorded.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Aquatics equipment	3 - 10 Years
Buildings and improvements	20 - 50 Years
Office furniture and equipment	5 - 10 Years
Transportation equipment	5 Years

Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives.

Expenditures for repairs and maintenance are charged to operations as incurred while renewals and betterments are capitalized.

Investments

Investments are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately and are computed using the specific identification method.

Gift annuities receivable

The Council is the beneficiary of two charitable gift annuities administered by the National Council. These annuities represent the assets received in the form of contributions in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. The fair market value of the donated assets at December 31, 2017 and 2016, totaled \$47,736 and \$47,484, respectively. There is no annuitant liability to the Council, as the National Council makes the required distributions to the annuitants.

Beneficial interest in charitable remainder trust

The Council has been designated as the beneficiary of assets held in an irrevocable charitable remainder trust administered by another trustee. The Council recognizes temporarily restricted contribution revenue and, as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of the beneficial interest in charitable remainder trust.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial interest in perpetual trusts

Donors have established and funded two trusts, which are administered by organizations other than the Council. Under the terms of the trusts, the Council has the irrevocable right to receive all or a portion of all the income earned on the trust assets either in perpetuity or for the life of the trusts. The Council does not control the assets held by outside trusts. Annual distributions from the trusts are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as a change in value of beneficial interest in perpetual trusts.

Land held for sale

Land held for sale in the operating fund consists of parcels which management has committed to a plan to sell, are being actively marketed and are expected to be sold during 2018. Land held for sale in the capital fund consists of donated parcels not in service and not anticipated to be placed into service (see Note 11).

Legacies and bequests

The Council has been designated as the beneficiary in numerous wills. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator, the amount of bequest is known, and the Council is certain that, based on the estate net assets, the amount bequeathed is realizable.

Deferred income

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

Donated services and rent

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received create or enhance long-lived assets, or require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2017 and 2016, donated services and rent totaling \$618,554 and \$749,157, respectively, were received which satisfied the criteria for recognition during the year, of which \$395,694 and \$516,797, respectively, related to legal services performed by a Board member (see Note 14).

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and rent (continued)

Donated services and rent consist of the following:

	2017	2016
Legal and professional services	\$ 395,694	\$ 525,297
Donated use of Camps Cabrillo and Log Cabin	222,860	223,860
	\$ 618,554	\$ 749,157

Functional expenses

The costs of providing the Council's programs and other activities have been presented in the statement of functional expenses. During the reporting period, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Council uses employee time to allocate indirect costs. In accordance with the policy of the National Council, the payments of the charter and national service fees to the National Council are not allocated among functional expenses.

Concentration of risk

Occasionally, the Council's cash balances exceed FDIC-insured limits. The Council has not experienced and does not anticipate any losses related to these balances.

Income tax status

The Council is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

The Council's federal informational tax returns for tax years ended December 31, 2014, and subsequent remain open for examination by the Internal Revenue Service. The returns for California, the Council's only state tax jurisdiction, remain open for examination by the California Franchise Tax Board for tax years ended December 31, 2013, and subsequent.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain 2016 balances have been reclassified in order to conform to the 2017 presentation.

Subsequent events

The Council has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 19, 2018, the date the financial statements were available to be issued. Based upon the evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 15.

3. NOTE RECEIVABLE

As part of the property sales discussed in Note 11, the Council has an installment note receivable bearing annual interest at six percent, with the principal and interest due in yearly installments of \$216,000 commencing November 22, 2016, through November 22, 2020. The total outstanding balance as of December 31, 2017, was \$519,508 of which \$184,830 is classified as current.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Land	\$ 3,899,225	\$ 3,516,511
Land improvements	2,924,284	2,158,245
Leasehold improvements	2,948,992	2,948,992
Aquatics equipment	96,560	96,560
Buildings and improvements	24,818,296	24,729,766
Office furniture and equipment	548,229	490,307
Transportation equipment	80,129	40,130
Construction in progress	326,723	76,241
	35,642,438	34,056,752
Accumulated depreciation and amortization	(2,352,219)	(1,379,915)
	\$ 33,290,219	\$ 32,676,837

At December 31, 2016, the properties included in land held for sale in the accompanying statement of financial position included a property that is currently in escrow (see Note 11) as well as another property identified that will be held for sale. At December 31, 2017, property held for sale in the amount of \$382,714 was placed back into land as escrow fell through and is now off the market.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

4. PROPERTY AND EQUIPMENT (continued)

During 2016, the Council wrote off assets totaling \$129,058 that were no longer in service.

5. FAIR VALUE MEASUREMENTS

The Council has implemented the fair value accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Council's assets and liabilities at fair value as of December 31, 2017:

Assets	Level 1	Level 2	Level 3	Fair Value
Investments				
Cash and cash equivalents	\$ 152,555	\$ -	\$ -	\$ 152,555
Corporate bonds	-	7,033,735	-	7,033,735
Corporate bonds - mutual funds	10,808,692	-	-	10,808,692
Private equity	-	-	95,346	95,346
Alternative investments	-	-	38,129	38,129
	<u>10,961,247</u>	<u>7,033,735</u>	<u>133,475</u>	<u>18,128,457</u>
Gift annuities receivable	-	-	47,736	47,736
Beneficial interest in charitable remainder trust	-	-	49,217	49,217
Beneficial interest in perpetual trusts	-	-	2,375,236	2,375,236
	<u>\$ 10,961,247</u>	<u>\$ 7,033,735</u>	<u>\$ 2,605,664</u>	<u>\$ 20,600,646</u>

The following table sets forth by level, within the fair value hierarchy, the Council's assets at fair value as of December 31, 2016:

Assets	Level 1	Level 2	Level 3	Fair Value
Investments				
Cash and cash equivalents	\$ 245,575	\$ -	\$ -	\$ 245,575
Corporate bonds	-	6,417,673	-	6,417,673
Corporate bonds - mutual funds	1,716,016	-	-	1,716,016
U.S. equities	4,798,857	-	-	4,798,857
Private equity	-	-	92,069	92,069
	<u>6,760,448</u>	<u>6,417,673</u>	<u>92,069</u>	<u>13,270,190</u>
Gift annuities receivable	-	-	47,484	47,484
Beneficial interest in charitable remainder trust	-	-	42,172	42,172
Beneficial interest in perpetual trust	-	-	2,153,587	2,153,587
	<u>\$ 6,760,448</u>	<u>\$ 6,417,673</u>	<u>\$ 2,335,312</u>	<u>\$ 15,513,433</u>

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

5. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the years ended December 31, 2017 and 2016:

	Unrestricted		Temporarily Restricted		Permanently Restricted	Total
	Private Equity	Alternative Investments	Gift Annuities Receivable	Beneficial Charitable Remainder Trust	Beneficial Perpetual Trusts	
Balance, December 31, 2015	\$ 255,572	\$ -	\$ 43,607	\$ 38,074	\$ 2,066,812	\$ 2,404,065
Sales and withdrawals	(168,132)	-	(6,567)	-	-	(174,699)
Purchases	41,357	-	-	-	-	41,357
Net realized and unrealized losses	(36,728)	-	-	-	-	(36,728)
Change in value of gift annuities receivable	-	-	10,444	-	-	10,444
Change in value of beneficial interest	-	-	-	4,098	86,775	90,873
Balance, December 31, 2016	92,069	-	47,484	42,172	2,153,587	2,335,312
Sales and withdrawals	-	-	-	-	(35,001)	(35,001)
Purchases	(7,500)	38,129	-	-	-	30,629
Net realized and unrealized losses	10,777	-	-	-	-	10,777
Change in value of gift annuities receivable	-	-	252	-	-	252
Change in value of beneficial interest	-	-	-	7,045	256,650	263,695
Balance, December 31, 2017	<u>\$ 95,346</u>	<u>\$ 38,129</u>	<u>\$ 47,736</u>	<u>\$ 49,217</u>	<u>\$ 2,375,236</u>	<u>\$ 2,605,664</u>

The Council uses net asset value (NAV) per share, or its equivalent, to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Investments in private equity are comprised of a private equity fund that invests in commercial stage health care companies and products. These investments cannot be redeemed. The funds provide distributions only upon liquidation of the underlying assets. The fund managers estimate the fund assets will be liquidated over seven to ten years. It is probable that the investments will be sold at an amount different than their NAV. Unfunded commitments at September 30, 2017 (the most recent date that this information is available) amounted to \$33,014.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

6. INVESTMENTS

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 152,555	\$ 245,575
Corporate bonds	7,033,735	6,417,673
Corporate bonds - mutual funds	-	1,716,016
U.S. equities	10,808,692	4,798,857
Private equity	95,346	92,069
Alternative investments	<u>38,129</u>	<u>-</u>
	<u>\$ 18,128,457</u>	<u>\$ 13,270,190</u>

Investment income and expenses consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 584,540	\$ 269,508
Unrealized gains (losses)	(623,198)	495,056
Realized gains	1,706,146	123,380
Investment fees	<u>(74,572)</u>	<u>(93,351)</u>
	1,592,916	794,593
Less interest reported in operating fund	<u>(59,206)</u>	<u>(48,905)</u>
	<u>\$ 1,533,710</u>	<u>\$ 745,688</u>

The Council has a Board-approved total return spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund (see Note 10).

7. LINE OF CREDIT

In November 2016, the Council entered into a Loan Management Account Agreement (the "LMA") with a bank. Under the LMA, the Council has access to a revolving line of credit, secured by the Council's investment portfolio. The maximum borrowing amount under the LMA is determined by the bank from time to time and at December 31, 2016, totaled \$5,990,847, of which \$4,815,460 was outstanding. Advances under the LMA may be made at a variable rate, fixed rate or term rate. At December 31, 2016, all advances outstanding were made at the variable rate of 2.261%. At December 31, 2017, the Council had fully paid the outstanding balance and closed the line.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2017	2016
Property improvements	\$ 910,000	\$ 1,000,000
Contribution received in conjunction with sale of properties (see Note 11)	250,000	250,000
Urban emphasis	-	200,000
Business leaders breakfast	10,725	15,725
Endowment	81,984	74,687
Time restricted	11,575	48,645
	\$ 1,264,284	\$ 1,589,057

Of the \$311,741 and \$940,669 of pledges receivable at December 31, 2017 and 2016, \$300,166 and \$892,024, is also purpose-restricted, respectively, and is included within the specific purpose in the above table.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2017 and 2016, totaled \$18,683,787 and \$7,914,594, respectively. The investment earnings on these endowment funds are available for the general support of the Council's programs and operations, unless otherwise designated by the donor.

10. ENDOWMENTS

The Council's endowment consists of several individual investment funds and other assets and liabilities established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2017 and 2016

10. ENDOWMENTS (continued)

Interpretation of relevant law

The Council's Board of Trustees has interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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. As a result of this interpretation, the Council 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 Council in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Council considers the following factors in making a determination 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 Council
- (7) The investment policies of the Council

Endowments

The Council's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to the Council, or a term endowment, which is to provide income for a specified period to the Council. The beneficial interest in perpetual trust is considered part of the Council's endowments.

The Council's management understands California state law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

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10. ENDOWMENTS (continued)

Endowments (continued)

The primary long-term financial objective for the Council's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. Performance of the overall endowment against this objective is measured over an investment horizon of ten years. The endowments are also managed to optimize the long-run total rate of return in invested assets, existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that meets or exceeds the return of a balanced market index (65% S&P 500 Index and 35% Lehman Brothers Government and Corporate Bond Index).

The Council's Board of Directors has developed a spending policy that distributes a specific payout rate of the endowment base to support the Council's programs. Such a policy allows for greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowment. In addition, this policy minimizes the invading of principal over the long term.

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 81,984	\$ 18,683,787	\$ 18,765,771
Board-designated	<u>1,864,262</u>	<u>-</u>	<u>-</u>	<u>1,864,262</u>
	<u>\$ 1,864,262</u>	<u>\$ 81,984</u>	<u>\$ 18,683,787</u>	<u>\$ 20,630,033</u>

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 74,687	\$ 7,914,594	\$ 7,989,281
Board-designated	<u>7,330,519</u>	<u>-</u>	<u>-</u>	<u>7,330,519</u>
	<u>\$ 7,330,519</u>	<u>\$ 74,687</u>	<u>\$ 7,914,594</u>	<u>\$ 15,319,800</u>

Greater Los Angeles Area Council, Boy Scouts of America
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10. ENDOWMENTS (continued)

Endowments (continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ 9,476,287	\$ 66,712	\$ 7,790,631	\$ 17,333,630
Investment return				
Investment income, net of fees	53,443	73,809	-	127,252
Realized investment gain	76,888	46,492	-	123,380
Unrealized investment gain	303,742	191,314	-	495,056
Appropriation for expenditures	<u>311,615</u>	<u>(311,615)</u>	<u>-</u>	<u>-</u>
Total investment return	<u>745,688</u>	<u>-</u>	<u>-</u>	<u>745,688</u>
Other endowment activity				
Contributions and other support	2,310	-	37,188	39,498
Change in gift annuity receivable	-	3,877	-	3,877
Change in beneficial interest in charitable remainder trust	-	4,098	-	4,098
Change in beneficial interest in perpetual trust	-	-	86,775	86,775
Interfund transfers	(2,879,520)	-	-	(2,879,520)
Other endowment expenses	<u>(14,246)</u>	<u>-</u>	<u>-</u>	<u>(14,246)</u>
Balance, December 31, 2016	<u>7,330,519</u>	<u>74,687</u>	<u>7,914,594</u>	<u>15,319,800</u>
Investment return				
Investment income, net of fees	315,533	135,229	-	450,762
Realized investment gain	1,194,302	511,844	-	1,706,146
Unrealized investment loss	(436,239)	(186,959)	-	(623,198)
Appropriation for expenditures	<u>460,114</u>	<u>(460,114)</u>	<u>-</u>	<u>-</u>
Total investment return	<u>1,533,710</u>	<u>-</u>	<u>-</u>	<u>1,533,710</u>
Other endowment activity				
Contributions and other support	1,000	-	10,512,543	10,513,543
Change in gift annuity receivable	-	252	-	252
Change in beneficial interest in charitable remainder trust	-	7,045	-	7,045
Change in beneficial interest in perpetual trust	-	-	256,650	256,650
Interfund transfers	(6,886,697)	-	-	(6,886,697)
Other endowment expenses	<u>(114,270)</u>	<u>-</u>	<u>-</u>	<u>(114,270)</u>
Total other endowment activity	<u>(6,999,967)</u>	<u>7,297</u>	<u>10,769,193</u>	<u>3,776,523</u>
Balance, December 31, 2017	<u>\$ 1,864,262</u>	<u>\$ 81,984</u>	<u>\$ 18,683,787</u>	<u>\$ 20,630,033</u>

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11. SALE OF PROPERTIES

In 2016 the Council sold two properties to unrelated parties for combined consideration of \$8,050,066, of which \$693,875 was included as a note receivable (see Note 3). The resulting gain of \$7,019,758, net of expenses of approximately \$30,000, has been included in the accompanying statement of activities as a separate line item. Additionally, in a separate transaction, the purchaser of one of the properties donated \$250,000 to the Council with a restriction the funds be used to improve the remaining property adjacent to the sold property that was not considered in the sale.

The gross proceeds of these transactions were used to extinguish debt and debt-related items. As of the date of the issuance of these financial statements, the amount of land held for sale included \$202,500, which was also listed as held for sale at December 31, 2016, and another property with a net book value of \$585,000. Both assets have been included as land held for sale in the accompanying statement of financial position at December 31, 2017.

12. SCOUT SHOP

The Council operates a Scout shop within the Los Angeles area. The National Council manages the Scout shop and pays the Council an 8% commission on gross sales up to \$750,000, and 13% in excess of \$750,000. The commissions earned before expenses by the Council during the years ended December 31, 2017 and 2016, amounted to \$121,706 and \$140,826, respectively, which are included in other revenue in the statement of activities.

13. EMPLOYEE BENEFIT PLANS

Retirement Plan

The Council participates in a qualified defined benefit pension plan administered at the National Office that covers employees of the National Council and local councils, including the Council. The plan name is the Boy Scouts of America Retirement Plan for Employees (the Plan) and covers all employees who have completed one year of service and who have agreed to make contributions. Participants must enroll and agree to contribute 2% of their annual compensation through payroll deductions. The National Council and local councils also make mandatory contributions equal to 7% of the annual compensation of qualified participants, who vest after five years of service. The contribution from the Council to the retirement fund during the years ended December 31, 2017 and 2016, was \$180,330 and \$178,117, respectively.

The actuarial information for the Plan as of February 1, 2017, indicates that it is in compliance with Employee Retirement Income Security Act of 1974 (ERISA) regulations regarding funding. The assumed rate of return used in determining actuarial present values of accumulated benefits was 7%. The actuarial information stated that there was a change from the prior year in the mortality table, retirement rates, withdrawal rates, salary scale and optional form of payment elections. Amortization of gains and losses is over seven years, and the amortization of past or prior service cost is seven years. The actuarial valuation includes all Plan amendments as of February 1, 2017. The Plan was 95% funded for the Plan year beginning February 1, 2016, and ending January 31, 2017.

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13. EMPLOYEE BENEFIT PLANS (continued)

Thrift Plan

The Council has established a thrift plan covering substantially all of the employees of the Council. Participants in the thrift plan may elect to make voluntary before-tax contributions based on percentage of their pay, subject to certain limitations set forth in the IRC of 1986, as amended.

Health Care Plan

The Council's employees participate in a health care plan provided by the National Council. The Council pays a portion of the cost for the employees, and the employees pay the remaining portion and the cost for any of their dependents participating in the plan. During the year ended December 31, 2017 and 2016, the Council incurred expenses of \$337,882 and \$353,258, respectively, on behalf of its employees to the National Council related to the health care plan.

14. RELATED PARTY

Board of Directors

As noted in Note 2, donated legal services totaling \$395,694 and \$516,797 were provided by a Board member during the years ended December 31, 2017 and 2016, respectively.

The Council conducted business with a direct mail and consulting firm whose principal is also a Board member. The Council paid \$12,662 and \$0 to this firm during the years ended December 31, 2017 and 2016, respectively.

National Service and Charter Fees

The Council is required to remit annually to the National Council a service fee, which is based on a percentage of salaries expense from the prior two years. The fee is used to cover the costs related to providing administrative, technical, and other support to the Council, excluding information technology-related support. The Council paid \$93,772 and \$96,762 in service fees to the National Council during 2017 and 2016, respectively. The Council is also required to pay an annual charter fee of \$100 to the National Council to continue to operate as a local council of the Boy Scouts of America.

Registration Fees

The Council collects annual registration fees from local Scout troops/packs and remits these fees to the National Council on a daily basis. These fees are not recognized in the Council's revenue. The Council remitted \$665,150 and \$660,209 in registration fees to the National Council during 2017 and 2016, respectively. Due to timing differences, unremitted fees at the end of the period are included in the custodial account liability.

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15. COMMITMENTS AND CONTINGENCIES

Operating Leases

- San Gabriel Valley Offices - The Council leases the land on which its San Gabriel offices are located. The Council paid the lessor \$10,584 upon execution of the lease in January 1992. The lease expires January 31, 2040, at which time, title to the building and improvements then situated on the land shall pass to The Council without payment or consideration. The Council is required to pay all property taxes and assessments relating to the property. The Council has no information as to the value of the land at the lease inception and therefore no asset was recorded. Management is researching what the value of the annual use of the land is for in-kind purposes. However, management believes such value will be immaterial to these financial statements.
- Camp Cherry Valley - The Council leases its facility on Santa Catalina Island under an operating lease agreement that expires December 31, 2017, with an option to renew for two additional five year terms. In June 2017, the Council extended the lease agreement to an additional 5-year term through 2022. Under the terms of the lease, the landlord may require the Council to demolish and remove all or any part of the leasehold improvements at the Council's expense at the expiration of the lease. However, the Council believes that the likelihood that the landlord will require the removal of the leasehold improvements is minimal. Lease expense for 2017 and 2016 totaled \$178,448 and \$188,143 which consisted of base rent of \$174,292 and \$165,992 plus additional rent of \$4,156 and \$22,151 (8% of gross revenues less the base rent), respectively. The Council subleases its facilities at Camp Cherry Valley to another nonprofit organization on an attendance basis. Sublease rental income for 2017 and 2016 totaling \$614,822 and \$254,778 respectively, and is included in camping revenue in the accompanying statement of activities.
- Camp Log Cabin Wilderness - The Council has an agreement with the National Park Service which provides the Council with free use of the facilities at Camp Log Cabin Wilderness. The original agreement was entered into in 1992 and expired in December 2011. Upon expiration of the agreement, the Council has been utilizing the facilities rent free on a month-to-month basis (see Note 2, "Donated services and rent").
- Camp Cabrillo - The Council has an agreement with the City of Los Angeles which provides the Council with free use of the facilities at Camp Cabrillo. The original agreement was entered into in 1983 and had a term of 30 years. Upon expiration of the original agreement, the Council has been utilizing the facilities rent free on a month-to-month basis. The Council is currently negotiating a new lease agreement with the City of Los Angeles (see Note 2, "Donated services and rent").
- Equipment - The Council leases office equipment under operating leases that expires November 2020 and October 2021, respectively. Monthly rent on the office equipment is \$6,373.

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15. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The scheduled minimum lease payments under the lease terms, excluding the donated use of facilities at Camps Cabrillo and Log Cabin are as follows:

Year ending December 31,

2018	\$ 302,496
2019	302,496
2020	296,123
2021	223,350
2022	<u>210,000</u>
	<u>\$ 1,334,465</u>

Contingencies

The Council is involved in litigation in the normal course of business. There are no current issues which management believes will have a material adverse financial impact to the Council. The Council is insured by the National Council for claims made and has a deductible of \$12,500 per claim under this coverage.