



BOY SCOUTS OF AMERICA®
GREATER LOS ANGELES AREA COUNCIL

Financial Statements
December 31, 2018 and 2017

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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, 2018 and 2017, 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 audit. We conducted our audit 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.

Change in Accounting Principle

The Council has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* as discussed in Note 2. Our opinion is not modified with respect to that matter.

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 20, 2019

Greater Los Angeles Area Council, Boy Scouts of America
 Statements of Financial Position
 December 31, 2018 and 2017

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	2018	2017	2018	2017	2018	2017	2018	2017
ASSETS								
Current assets								
Cash and cash equivalents	\$ 1,259,147	\$ 1,824,675	\$ 35,000	\$ 167,400	\$ -	\$ 51,795	\$ 1,294,147	\$ 2,043,870
Accounts receivable	169,780	80,955	-	-	-	-	169,780	80,955
Pledges receivable, net	138,960	1,500	-	310,000	-	241	138,960	311,741
Prepaid and other current assets	190,863	132,103	-	-	-	-	190,863	132,103
Note receivable, current	-	-	195,919	184,830	-	-	195,919	184,830
Due from other funds	378,864	-	-	-	350,000	-	728,864	-
Total current assets	<u>2,137,614</u>	<u>2,039,233</u>	<u>230,919</u>	<u>662,230</u>	<u>350,000</u>	<u>52,036</u>	<u>2,718,533</u>	<u>2,753,499</u>
Property and equipment, net	<u>-</u>	<u>-</u>	<u>29,138,172</u>	<u>33,290,219</u>	<u>-</u>	<u>-</u>	<u>29,138,172</u>	<u>33,290,219</u>
Non-current assets								
Investments	-	-	-	-	15,766,750	18,128,457	15,766,750	18,128,457
Gift annuities receivable	-	-	-	-	41,452	47,736	41,452	47,736
Beneficial interest in charitable remainder trust	-	-	-	-	45,011	49,217	45,011	49,217
Beneficial interest in perpetual trusts	-	-	-	-	2,133,560	2,375,237	2,133,560	2,375,237
Land held for sale	585,000	585,000	3,294,335	202,500	-	-	3,879,335	787,500
Note receivable, net of current portion	-	-	138,759	334,678	-	-	138,759	334,678
Total non-current assets	<u>585,000</u>	<u>585,000</u>	<u>3,433,094</u>	<u>537,178</u>	<u>17,986,773</u>	<u>20,600,647</u>	<u>22,004,867</u>	<u>21,722,825</u>
Total assets	<u>\$ 2,722,614</u>	<u>\$ 2,624,233</u>	<u>\$ 32,802,185</u>	<u>\$ 34,489,627</u>	<u>\$ 18,336,773</u>	<u>\$ 20,652,683</u>	<u>\$ 53,861,572</u>	<u>\$ 57,766,543</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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Totals	
	2018	2017	2018	2017	2018	2017	2018	2017
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 150,312	\$ 65,697	\$ 83,796	\$ -	\$ 4,726	\$ 3,680	\$ 238,834	\$ 69,377
Accrued expenses	181,771	215,193	-	-	70,972	4,000	252,743	219,193
Custodial accounts	847,958	882,002	-	-	-	-	847,958	882,002
Deferred income	123,596	160,959	-	-	-	-	123,596	160,959
Liability under charitable remainder trust	-	-	-	-	14,969	14,969	14,969	14,969
Due to other funds	<u>350,000</u>	<u>-</u>	<u>310,688</u>	<u>-</u>	<u>68,176</u>	<u>-</u>	<u>728,864</u>	<u>-</u>
Total current liabilities	1,653,637	1,323,851	394,484	-	158,843	22,649	2,206,964	1,346,500
Commitments and contingencies (Notes 7, 12 and 14)								
Net assets								
Net assets without donor restrictions								
General	968,977	1,278,082	2,078,013	39,408	1,315,548	1,864,262	4,362,538	3,181,752
Investment in property and equipment	<u>-</u>	<u>-</u>	<u>29,138,172</u>	<u>33,290,219</u>	<u>-</u>	<u>-</u>	<u>29,138,172</u>	<u>33,290,219</u>
Total net assets without donor restrictions	968,977	1,278,082	31,216,185	33,329,627	1,315,548	1,864,262	33,500,710	36,471,971
Net assets with donor restrictions	<u>100,000</u>	<u>22,300</u>	<u>1,191,516</u>	<u>1,160,000</u>	<u>16,862,382</u>	<u>18,765,772</u>	<u>18,153,898</u>	<u>19,948,072</u>
Total net assets	<u>1,068,977</u>	<u>1,300,382</u>	<u>32,407,701</u>	<u>34,489,627</u>	<u>18,177,930</u>	<u>20,630,034</u>	<u>51,654,608</u>	<u>56,420,043</u>
Total liabilities and net assets	<u>\$ 2,722,614</u>	<u>\$ 2,624,233</u>	<u>\$ 32,802,185</u>	<u>\$ 34,489,627</u>	<u>\$ 18,336,773</u>	<u>\$ 20,652,683</u>	<u>\$ 53,861,572</u>	<u>\$ 57,766,543</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, 2018 and 2017

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Changes in net assets without donor restrictions</u>								
Public support and revenue								
Direct support								
Friends of Scouting	\$ 847,327	\$ 794,242	\$ -	\$ -	\$ -	\$ -	\$ 847,327	\$ 794,242
Capital campaign	-	-	-	1,000	-	-	-	1,000
Special fundraising events, net of direct costs of \$108,529 and \$63,459	615,966	755,394	-	-	-	-	615,966	755,394
Foundations and trusts	373,010	534,500	-	-	-	-	373,010	534,500
Donated services and rent	679,708	600,432	-	18,122	-	-	679,708	618,554
Legacies and bequests	2,020	1,197,867	-	-	-	1,000	2,020	1,198,867
Other direct support	<u>58,907</u>	<u>134,730</u>	<u>-</u>	<u>296,365</u>	<u>-</u>	<u>-</u>	<u>58,907</u>	<u>431,095</u>
Total direct support	<u>2,576,938</u>	<u>4,017,165</u>	<u>-</u>	<u>315,487</u>	<u>-</u>	<u>1,000</u>	<u>2,576,938</u>	<u>4,333,652</u>
Other revenue								
Product sales - net	324,560	236,264	-	-	-	-	324,560	236,264
Camping revenue	3,147,950	3,606,429	-	-	-	-	3,147,950	3,606,429
Activity revenue	267,952	998,781	-	-	-	-	267,952	998,781
Other revenue	493,788	218,154	31,170	41,633	-	-	524,958	259,787
Rental income	121,289	126,203	-	-	-	-	121,289	126,203
Investment income, net of fees	68,928	59,206	-	-	(242,869)	1,073,596	(173,941)	1,132,802
Endowment earnings appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>689,799</u>	<u>460,114</u>	<u>689,799</u>	<u>460,114</u>
Total other revenue	<u>4,424,467</u>	<u>5,245,037</u>	<u>31,170</u>	<u>41,633</u>	<u>446,930</u>	<u>1,533,710</u>	<u>4,902,567</u>	<u>6,820,380</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, 2018 and 2017

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net assets released from restriction								
Release from purpose restriction	22,225	5,000	-	290,000	-	-	22,225	295,000
Release from time restriction	11,575	48,645	-	-	-	-	11,575	48,645
Total net assets released from restriction	<u>33,800</u>	<u>53,645</u>	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>33,800</u>	<u>343,645</u>
Total public support and revenue	<u>7,035,205</u>	<u>9,315,847</u>	<u>31,170</u>	<u>647,120</u>	<u>446,930</u>	<u>1,534,710</u>	<u>7,513,305</u>	<u>11,497,677</u>
Functional expenses								
Program services	<u>6,420,539</u>	<u>7,767,780</u>	<u>1,110,590</u>	<u>1,007,673</u>	<u>6,603</u>	<u>95,990</u>	<u>7,537,732</u>	<u>8,871,443</u>
Supporting services								
Management and general	892,172	840,416	3,726	6,275	634	7,997	896,532	854,688
Fundraising	<u>915,801</u>	<u>902,866</u>	<u>4,052</u>	<u>8,068</u>	<u>945</u>	<u>10,282</u>	<u>920,798</u>	<u>921,216</u>
Total supporting services	<u>1,807,973</u>	<u>1,743,282</u>	<u>7,778</u>	<u>14,343</u>	<u>1,579</u>	<u>18,279</u>	<u>1,817,330</u>	<u>1,775,904</u>
Total functional expenses	<u>8,228,512</u>	<u>9,511,062</u>	<u>1,118,368</u>	<u>1,022,016</u>	<u>8,182</u>	<u>114,269</u>	<u>9,355,062</u>	<u>10,647,347</u>
Non-operating								
Charter and national service fees	103,260	93,872	-	-	-	-	103,260	93,872
Impairment on land held for sale	-	-	1,026,245	-	-	-	1,026,245	-
Total expenses	<u>8,331,772</u>	<u>9,604,934</u>	<u>2,144,613</u>	<u>1,022,016</u>	<u>8,182</u>	<u>114,269</u>	<u>10,484,567</u>	<u>10,741,219</u>
Change in net assets without donor restrictions before interfund transfers	<u>(1,296,567)</u>	<u>(289,087)</u>	<u>(2,113,443)</u>	<u>(374,896)</u>	<u>438,748</u>	<u>1,420,441</u>	<u>(2,971,262)</u>	<u>756,458</u>
Interfund transfers	<u>987,462</u>	<u>2,038,390</u>	<u>-</u>	<u>4,848,307</u>	<u>(987,462)</u>	<u>(6,886,697)</u>	<u>-</u>	<u>-</u>
Change in net assets without donor restrictions	<u>(309,105)</u>	<u>1,749,303</u>	<u>(2,113,443)</u>	<u>4,473,411</u>	<u>(548,714)</u>	<u>(5,466,256)</u>	<u>(2,971,262)</u>	<u>756,458</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, 2018 and 2017

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Change in net assets with donor restrictions</u>								
Foundations, trusts, and memorials	111,500	-	-	-	-	-	111,500	-
Friends of Scouting	-	11,575	-	-	-	-	-	11,575
Capital Campaign	-	-	31,517	-	-	-	31,517	-
Investment income, net of fees	-	-	-	-	(975,851)	460,114	(975,851)	460,114
Endowment earnings appropriated for expenditure	-	-	-	-	(689,799)	(460,114)	(689,799)	(460,114)
Change in value of gift annuities receivable	-	-	-	-	(6,284)	252	(6,284)	252
Change in value of beneficial trust	-	-	-	-	(4,206)	7,045	(4,206)	7,045
Other direct support	-	-	-	-	14,427	10,512,543	14,427	10,512,543
Change in value of beneficial interest in perpetual trusts	-	-	-	-	(241,677)	256,650	(241,677)	256,650
Release from purpose restriction	(22,225)	(5,000)	-	(290,000)	-	-	(22,225)	(295,000)
Release from time restriction	(11,575)	(48,645)	-	-	-	-	(11,575)	(48,645)
Change in net assets with donor restrictions	<u>77,700</u>	<u>(42,070)</u>	<u>31,517</u>	<u>(290,000)</u>	<u>(1,903,390)</u>	<u>10,776,490</u>	<u>(1,794,173)</u>	<u>10,444,420</u>
Change in net assets	(231,405)	1,707,233	(2,081,926)	4,183,411	(2,452,104)	5,310,234	(4,765,435)	11,200,878
Net assets, beginning 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>
Net assets, end of year	<u>\$ 1,068,977</u>	<u>\$ 1,300,382</u>	<u>\$ 32,407,701</u>	<u>\$ 34,489,627</u>	<u>\$ 18,177,930</u>	<u>\$ 20,630,034</u>	<u>\$ 51,654,608</u>	<u>\$ 56,420,043</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, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation				
Salaries and wages	\$ 1,951,107	\$ 702,867	\$ 358,266	\$ 3,012,240
Employee benefits	424,502	40,769	44,336	509,607
Payroll taxes, workers' compensation, and employee related expenses	<u>287,240</u>	<u>24,018</u>	<u>24,103</u>	<u>335,361</u>
Total employee compensation	<u>2,662,849</u>	<u>767,654</u>	<u>426,705</u>	<u>3,857,208</u>
Other expenses				
Occupancy and utilities	1,122,793	16,165	17,579	1,156,537
Legal and professional fees	649,591	59,575	269,706	978,872
Supplies	793,003	6,025	42,580	841,608
Travel and living	383,804	6,469	23,215	413,488
Insurance	251,956	12,796	13,915	278,667
Rental and maintenance of equipment	179,422	10,600	12,228	202,250
Telephone	142,745	5,659	9,760	158,164
Specific assistance to individuals	100,212	-	-	100,212
Other expenses	35,188	2,880	17,491	55,559
Conferences and meetings	51,382	2,551	4,967	58,900
Postage and shipping	63,244	2,254	7,942	73,440
Recognition and awards	35,520	178	31,896	67,594
Publication and media services	<u>5,296</u>	<u>-</u>	<u>38,762</u>	<u>44,058</u>
Total other expenses	<u>3,814,156</u>	<u>125,152</u>	<u>490,041</u>	<u>4,429,349</u>
Expenses before depreciation and amortization	6,477,005	892,806	916,746	8,286,557
Depreciation and amortization	<u>1,060,727</u>	<u>3,726</u>	<u>4,052</u>	<u>1,068,505</u>
	<u>\$ 7,537,732</u>	<u>\$ 896,532</u>	<u>\$ 920,798</u>	<u>\$ 9,355,062</u>
Percentage of total	<u>80.6 %</u>	<u>9.6 %</u>	<u>9.8 %</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, 2017

	Program Services	Management and General	Fundraising	Total
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	227,864	41,787	21,829	291,480
Total employee compensation	3,154,362	735,140	448,493	4,337,995
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	9,531	-	24,530	34,061
Total other expenses	4,752,043	116,369	468,636	5,337,048
Expenses before depreciation and amortization	7,906,405	851,509	917,129	9,675,043
Depreciation and amortization	965,038	3,179	4,087	972,304
	\$ 8,871,443	\$ 854,688	\$ 921,216	\$ 10,647,347
Percentage of total	83.3 %	8.0 %	8.7 %	100.0 %

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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash flows from operating activities								
Change in net assets	\$ (231,405)	\$ 1,707,233	\$ (2,081,926)	\$ 4,183,411	\$ (2,452,104)	\$ 5,310,234	\$ (4,765,435)	\$ 11,200,878
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities								
Allowance for uncollectible pledges receivable	871	29,865	-	-	-	-	871	29,865
Depreciation and amortization	-	-	1,068,505	972,304	-	-	1,068,505	972,304
Donated land	-	(585,000)	-	-	-	-	-	(585,000)
Impairment on land held for sale	-	-	1,026,245	-	-	-	1,026,245	-
Reinvested dividends and interest	(68,928)	(59,206)	-	-	(699,101)	(525,334)	(768,029)	(584,540)
Realized and unrealized (gains) or losses on investments, net	-	-	-	-	1,867,832	(1,082,948)	1,867,832	(1,082,948)
Investment fees	-	-	-	-	49,989	74,572	49,989	74,572
Contributions restricted for long-term purposes	-	-	-	-	(14,427)	(10,512,543)	(14,427)	(10,512,543)
Change in value of gift annuities	-	-	-	-	6,284	(252)	6,284	(252)
Change in value of beneficial interest charitable remainder trusts	-	-	-	-	4,206	(7,045)	4,206	(7,045)
Change in value of interest in perpetual trusts	-	-	-	-	241,677	(221,650)	241,677	(221,650)
Changes in operating assets and liabilities								
Accounts receivable	(88,825)	34,255	-	-	-	-	(88,825)	34,255
Pledges receivable	(138,331)	8,758	310,000	590,000	241	305	171,910	599,063

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, 2018 and 2017

	Operating Fund		Capital Fund		Endowment Fund		Total Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Prepaid and other current assets	(58,760)	206,888	-	-	-	-	(58,760)	206,888
Due from other funds	(378,864)	-	-	-	(350,000)	-	(728,864)	-
Accounts payable	84,601	(104,707)	83,796	-	1,046	3,680	169,443	(101,027)
Accrued expenses	35,520	168,426	-	(1,184)	66,992	4,000	102,512	171,242
Custodial accounts	(34,044)	165,505	-	-	-	-	(34,044)	165,505
Deferred income	(37,363)	(350,026)	-	-	-	-	(37,363)	(350,026)
Due to other funds	350,000	-	310,688	-	68,176	-	728,864	-
Net cash provided by (used in) operating activities	(565,528)	1,221,991	717,308	5,744,531	(1,209,189)	(6,956,981)	(1,057,409)	9,541
Cash flows from investing activities								
Purchases of property and equipment	-	-	(1,034,538)	(1,202,971)	-	-	(1,034,538)	(1,202,971)
Net transfers	-	-	-	-	-	3,462,399	-	3,462,399
Sales of investments	-	-	-	-	1,156,291	16,643,704	1,156,291	16,643,704
Purchases of investments	-	-	-	-	(13,324)	(23,430,660)	(13,324)	(23,430,660)
Payments on note receivable	-	-	184,830	174,367	-	-	184,830	174,367
Net cash provided by (used in) investing activities	-	-	(849,708)	(1,028,604)	1,142,967	(3,324,557)	293,259	(4,353,161)

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, 2018 and 2017

	<u>Operating Fund</u>		<u>Capital Fund</u>		<u>Endowment Fund</u>		<u>Total Funds</u>	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash flows from financing activities								
Contributions restricted for long-term purposes	-	-	-	-	14,427	10,512,543	14,427	10,512,543
Line of credit	-	-	-	-	-	(4,815,460)	-	(4,815,460)
Advances between funds	-	-	-	(4,598,307)	-	4,598,307	-	-
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,598,307)</u>	<u>14,427</u>	<u>10,295,390</u>	<u>14,427</u>	<u>5,697,083</u>
Net increase (decrease) in cash and cash equivalents	(565,528)	1,221,991	(132,400)	117,620	(51,795)	13,852	(749,723)	1,353,463
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 1,259,147</u>	<u>\$ 1,824,675</u>	<u>\$ 35,000</u>	<u>\$ 167,400</u>	<u>\$ -</u>	<u>\$ 51,795</u>	<u>\$ 1,294,147</u>	<u>\$ 2,043,870</u>
Supplemental disclosure of cash flow information								
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,560</u>	<u>\$ -</u>	<u>\$ 102,560</u>
Supplemental schedule of noncash investing and financing activities								
Non cash property and equipment additions	\$ -	\$ -	\$ 34,817	\$ -	\$ -	\$ -	\$ 34,817	\$ -
Donated land	<u>\$ -</u>	<u>\$ 585,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,000</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, 2018 and 2017

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, 2018 and 2017

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):

	2018	2017
Cub Scouts	7,837	7,858
Boy Scouts	7,958	8,168
Venturing	492	672
Total Boy Scouts of America Youth	16,287	16,698
Exploring	2,112	2,525
Total membership	18,399	19,223

In February 2019, the Council began admitting girls to scouting. While the other program names retained their names, the Boy Scouts program has been renamed to Scouts BSA. This is the traditional Scouting experience for youth in the fifth grade through high school. Young women will be qualified to earn Scouting's highest rank, Eagle Scout.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 makes certain improvements to current reporting requirements, including (1) Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions); (2) Enhancing disclosures about (a) Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions, (b) Composition of net assets with donor restrictions and how the restrictions affect the use of resources, (c) Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date, (d) Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements, (e) Methods used to allocate costs among program and support functions, (f) Underwater endowment funds; (3) Reporting investment return net of external and direct internal investment expenses; and (4) Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset). The amendments have been applied on a retrospective basis in 2018.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - These generally result from revenues generated by receiving net assets without donor restrictions, providing services, and receiving income from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions. At December 31, 2018 and 2017, included in net assets without donor restrictions are Board-designated net assets totaling \$1,033,724 and \$1,864,262, respectively, that are part of the Endowment Fund.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - The Council reports gifts of cash and other assets as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restriction. Donor restricted contributions whose restrictions have been met in the same reporting period are reported as net assets without donor restrictions in the statement of activities. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets are released from purpose or time restriction. 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 are included as net assets with donor restrictions.

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 net assets with and without donor restrictions, 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 net assets with donor 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 net assets with and without donor restrictions.

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 statements of financial position.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Custodial accounts

The Council holds deposits of cash in banks on behalf of affiliated organizations. As the Council has little or no discretion over the use of these funds, a liability for custodial accounts is included on the statements of financial position. As of December 31, 2018 and 2017, cash held in custodial accounts totaled \$847,958 and \$882,002, 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, 2018 and 2017, 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 net assets with donor restrictions 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 net assets without donor restrictions. The Council evaluated the collectibility of pledges receivable and established an allowance for uncollectible pledges of \$34,736 and \$33,865 at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, there was one outstanding note receivable and it was deemed fully collectible, and therefore no allowance has been recorded.

Property and equipment

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

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment annually, or whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. During 2018, the Council recognized impairment on a land held for sale in the amount of \$1,026,245 (see Note 6).

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. There is no annuitant liability to the Council, as the National Council makes the required distributions to the annuitants.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net assets with donor restricted 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 statements of activities as a change in value of the beneficial interest in charitable remainder trust.

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 statements of activities as a change in value of beneficial interest in perpetual trusts.

Land held for sale

Land held for sale consists of parcels which management has committed to a plan to sell, are being actively marketed and are expected to be sold during the next 12-months. In May 2019, the Council sold land held for sale in the amount of \$3,338,379 (see Note 6).

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.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 and 2017, donated services and rent totaling \$679,708 and \$618,554, respectively, were received which satisfied the criteria for recognition during the year, of which \$469,708 and \$395,694, respectively, related to legal services performed by a Board member (see Note 13).

Donated services and rent consist of the following:

	2018	2017
Legal and professional services	\$ 469,708	\$ 395,694
Donated use of Camp Cabrillo	210,000	222,860
	\$ 679,708	\$ 618,554

Functional expenses

The costs of providing the Council's programs and other activities have been presented in the statements 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, 2015, 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, 2014, and subsequent.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

The Council has evaluated events subsequent to December 31, 2018, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 20, 2019, 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 Notes 2, 6 and 8.

3. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	2018	2017
Amounts due in one year	\$ 173,696	\$ 345,606
Allowance for potentially uncollectible pledges	(34,736)	(33,865)
	\$ 138,960	\$ 311,741

4. NOTE RECEIVABLE

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. The note receivable bears 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, 2018, was \$334,678 of which \$195,919 is classified as current.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Land	\$ 997,593	\$ 3,899,225
Land improvements	2,917,215	2,924,284
Leasehold improvements	1,811,956	2,948,992
Aquatics equipment	102,916	96,560
Buildings and improvements	25,162,071	24,818,296
Office furniture and equipment	1,180,891	548,229
Transportation equipment	80,129	80,129
Construction in progress	43,402	326,723
	32,296,173	35,642,438
Accumulated depreciation and amortization	(3,158,001)	(2,352,219)
	\$ 29,138,172	\$ 33,290,219

6. SALE OF PROPERTIES

In May 2019, the Council sold a property carried at \$4,320,580 at December 31, 2018 to an unrelated party for consideration of \$3,500,000 of which \$2,500,000 was a note receivable. Accordingly, the Council recognized an impairment of \$1,026,245, including expenses of \$205,665, within the statements of activities for the year ended December 31, 2018. Additionally, the net realizable amount of the property of \$3,294,335 has been classified as held for sale in the accompanying statements of financial position at December 31, 2018.

As a result of the 2015 merger between the San Gabriel Valley Council ("SGVC") and the Los Angeles Council, the assets of SGVC were required to be adjusted to fair market value. Holcomb's 2015 appraised value was higher than the ultimate 2019 transaction. This situation resulted in the \$1,026,245 impairment.

The amount of land held for sale at December 31, 2018 and 2017 also includes a number of properties totaling \$585,000 and \$787,500, respectively.

7. 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.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

7. FAIR VALUE MEASUREMENTS (continued)

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

The following table sets forth by level, within the fair value hierarchy, the Council's assets and liabilities at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Investments				
Cash and cash equivalents	\$ 7,842	\$ -	\$ -	\$ 7,842
Corporate bonds	-	6,948,734	-	6,948,734
Mutual funds	8,531,865	-	-	8,531,865
Private equity	-	-	48,616	48,616
Alternative investments	-	-	229,693	229,693
	<u>8,539,707</u>	<u>6,948,734</u>	<u>278,309</u>	<u>15,766,750</u>
Gift annuities receivable	-	-	41,452	41,452
Beneficial interest in charitable remainder trust	-	-	45,011	45,011
Beneficial interest in perpetual trusts	-	-	2,133,560	2,133,560
	<u>\$ 8,539,707</u>	<u>\$ 6,948,734</u>	<u>\$ 2,498,332</u>	<u>\$ 17,986,773</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Cash and cash equivalents	\$ 152,555	\$ -	\$ -	\$ 152,555
Corporate bonds	-	7,033,735	-	7,033,735
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	-	-	2,375,237	2,375,237
	<u>\$ 10,961,247</u>	<u>\$ 7,033,735</u>	<u>\$ 2,605,665</u>	<u>\$ 20,600,647</u>

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

7. 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, 2018 and 2017:

	Without Donor Restrictions		With Donor Restrictions			Total
	Private Equity	Alternative Investments	Gift Annuities Receivable	Beneficial Charitable Remainder Trust	Beneficial Perpetual Trusts	
Balance, December 31, 2016	\$ 92,069	\$ -	\$ 47,484	\$ 42,172	\$ 2,153,587	\$ 2,335,312
Sales and withdrawals	(7,500)	-	-	-	(35,000)	(42,500)
Purchases	-	38,129	-	-	-	38,129
Net realized and unrealized gain	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	95,346	38,129	47,736	49,217	2,375,237	2,605,665
Purchases	-	183,125	-	-	-	183,125
Net realized and unrealized gain or (loss)	(46,730)	8,439	(6,284)	-	-	(44,575)
Change in value of beneficial interest	-	-	-	(4,206)	(241,677)	(245,883)
Balance, December 31, 2018	<u>\$ 48,616</u>	<u>\$ 229,693</u>	<u>\$ 41,452</u>	<u>\$ 45,011</u>	<u>\$ 2,133,560</u>	<u>\$ 2,498,332</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, 2018 (the most recent date that this information is available) totaled \$19,279.

The Council has entered into agreements to fund alternative investments totaling \$500,000. The funds invest in private equity, real estate, and credit and opportunistic investments across multiple strategies, geographies, and industries. The investment period is three years from the effective date, subject to a six-month extension. The distribution date shall be five years from the last date of the investment period, subject to a potential extension. As of December 31, 2018 unfunded commitments on the alternative investments totaled \$275,625.

Greater Los Angeles Area Council, Boy Scouts of America
Notes to Financial Statements
December 31, 2018 and 2017

8. INVESTMENTS

Investment income and expenses consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 768,029	\$ 584,540
Unrealized losses	(2,038,407)	(623,198)
Realized gains	170,575	1,706,146
Investment fees	<u>(49,989)</u>	<u>(74,572)</u>
	(1,149,792)	1,592,916
Less interest reported in operating fund	<u>(68,928)</u>	<u>(59,206)</u>
Investment earnings reported in endowment fund	<u>\$ (1,218,720)</u>	<u>\$ 1,533,710</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).

In January 2018, the Council entered into an Aggregate Margin Account (the "AMA") with a bank. Under the AMA, the Council may borrow against its investment portfolio. The maximum borrowing amount under the AMA is determined by the bank from time to time and at December 31, 2018 totaled \$8,872,395, of which \$66,972 was outstanding and has been included within accrued expenses in the accompanying statements of financial position. Subsequent to year-end, the Council repaid the outstanding margin loan amount.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose		
Property improvements	\$ 1,191,516	\$ 1,160,000
Business leaders breakfast	-	10,725
	<u>1,191,516</u>	<u>1,170,725</u>
Time-restricted only	<u>100,000</u>	<u>11,575</u>
Donor-restricted endowment funds	<u>16,862,382</u>	<u>18,765,772</u>
	<u>\$ 18,153,898</u>	<u>\$ 19,948,072</u>

Of the \$138,960 and \$311,741 of pledges receivable at December 31, 2018 and 2017, \$38,960 and \$300,166, are also purpose-restricted, respectively, and included within the specific purpose in the above table.

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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 Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Council's Board of Directors 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 donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 donor-restricted endowment, which is to provide a permanent source of income or 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 donor-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 consisting of 65% equities and 35% bonds.

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, 2018, is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,033,724	\$ -	\$ 1,033,724
Donor-restricted	<u>-</u>	<u>16,862,382</u>	<u>16,862,382</u>
	<u>\$ 1,033,724</u>	<u>\$ 16,862,382</u>	<u>\$ 17,896,106</u>

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated	\$ 1,864,262	\$ -	\$ 1,864,262
Donor-restricted	<u>-</u>	<u>18,765,772</u>	<u>18,765,772</u>
	<u>\$ 1,864,262</u>	<u>\$ 18,765,772</u>	<u>\$ 20,630,034</u>

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10. ENDOWMENTS (continued)

Endowments (continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 is as follows:

	Without Donor <u>Restrictions</u>	With Donor Restrictions	<u>Total</u>
Balance, December 31, 2016	\$ 7,330,519	\$ 7,989,282	\$ 15,319,801
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 gain	(436,239)	(186,959)	(623,198)
Appropriation for expenditures	<u>460,114</u>	<u>(460,114)</u>	<u>-</u>
Total investment return	1,533,710	-	1,533,710
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>(114,270)</u>
Balance, December 31, 2017	<u>1,864,262</u>	<u>18,765,772</u>	<u>20,630,034</u>
Investment return			
Interest and dividends	183,569	515,532	699,101
Investment fees	(13,131)	(36,858)	(49,989)
Realized investment gain or (loss)	(49,452)	220,027	170,575
Unrealized investment loss	(363,855)	(1,674,552)	(2,038,407)
Appropriation for expenditures	<u>689,799</u>	<u>(689,799)</u>	<u>-</u>
Total investment return	446,930	(1,665,650)	(1,218,720)
Contributions and other support	-	14,427	14,427
Change in gift annuity receivable	-	(6,284)	(6,284)
Change in beneficial interest in charitable remainder trust	-	(4,206)	(4,206)
Change in beneficial interest in perpetual trust	-	(241,677)	(241,677)
Interfund transfers	(1,269,286)	-	(1,269,286)
Other endowment expenses	<u>(8,182)</u>	<u>-</u>	<u>(8,182)</u>
Balance, December 31, 2018	<u>\$ 1,033,724</u>	<u>\$ 16,862,382</u>	<u>\$ 17,896,106</u>

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11. SCOUT SHOP

The National Council operates three Scout shops within the Los Angeles area. The National Council 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, 2018 and 2017, amounted to \$118,073 and \$121,706, respectively, which are included in other revenue in the statements of activities.

12. 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, 2018 and 2017, was \$170,754 and \$180,330, respectively.

The actuarial information for the Plan as of February 1, 2018, 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, 2018. The Plan was 95% funded for the Plan year beginning February 1, 2017, and ending January 31, 2018.

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, 2018 and 2017, the Council incurred expenses of \$338,853 and \$337,882, respectively, on behalf of its employees to the National Council related to the health care plan.

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13. RELATED PARTY

Board of Directors

As noted in Note 2, donated legal services totaling \$469,708 and \$395,694 were provided by a Board member during the years ended December 31, 2018 and 2017, respectively.

The Council conducted business with a direct mail and consulting firm whose principal is also a Board member. The Council paid \$31,786 and \$12,662 to this firm during the years ended December 31, 2018 and 2017, 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 \$103,260 and \$93,872 in service fees to the National Council during 2018 and 2017, 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 \$657,057 and \$665,150 in registration fees to the National Council during 2018 and 2017, respectively. Due to timing differences, unremitted fees at the end of the period are included in the custodial account liability.

14. 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.

Greater Los Angeles Area Council, Boy Scouts of America
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14. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

- Camp Cherry Valley - The Council leases its facility on Santa Catalina Island under an operating lease agreement 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 2018 and 2017 totaled \$183,006 and \$178,448, respectively. The Council subleases its facilities at Camp Cherry Valley to another nonprofit organization on an attendance basis. Sublease rental income for 2018 and 2017 totaled \$416,928 and \$614,872 respectively, and is included in camping revenue in the accompanying statement of activities.
- Camp Log Cabin Wilderness - The Council has an agreement with the United States Department of Forestry ("U.S. Dept. of Forestry") to operate a facility in Mono County adjacent to Yosemite National Park on a month-to-month basis. The original agreement was entered in 1992 and expired in December 2011. In 2018, the U.S. Dept. of Forestry billed the Council for years ending December 31, 2004 through 2015. Base rent is \$521 per year.
- 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 and \$1,335, respectively.

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,

2019	\$	302,496
2020		296,123
2021		223,350
2022		210,000
2023		210,000
Thereafter		420,000
		\$ 1,661,969

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14. COMMITMENTS AND CONTINGENCIES (continued)

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.

15. LIQUIDITY AND AVAILABILITY

The following reflects the Council's financial assets reported on the statements of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor restrictions as of December 31, 2018.

Liquidity of financial assets as of December 31, 2018 is as follows:

	2018
Cash and cash equivalents	\$ 1,294,147
Accounts receivable	169,780
Pledges receivable, net	138,960
Note receivable, current portion	195,919
Investments	15,766,750
Gift annuities receivable	41,452
Beneficial interest in charitable remainder trust, net	30,042
Beneficial interest in perpetual trusts	2,133,560
	19,770,610
Net assets subject to expenditure for specified purpose (see Note 9)	(1,191,516)
Donor-restricted endowment funds (see Notes 9 and 10)	(16,862,382)
Board-designated endowment funds (see Note 10)	(1,033,724)
	\$ 682,988

The Council's endowment funds include funds available for general expenditure subject to the conditions of the Council's spending policy. The Council estimates that there will be \$295,000 of endowment funds appropriated for general expenditure in 2019.

Additionally, the Council has entered into an agreement which allows it to borrow against its investment portfolio. At December 31, 2018, the maximum borrowing amount available to the Council was \$8,872,395 (see Note 8).

Subsequent to year end, the Council sold a property (see Note 6) and has received \$965,000 of the sales price in cash in 2019 that will be available for general expenditure.