

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Financial Statements

Years Ended December 31, 2022 and 2021



WIPFLI

Independent Auditor's Report

Board of Directors
Greater Los Angeles Area Council, Inc. Boy Scouts of America
Los Angeles, California

Opinion

We have audited the accompanying financial statements (the "financial statements") of Greater Los Angeles Area Council, Inc. Boy Scouts of America (the "Council"), a nonprofit organization, which comprise the accompanying statements of financial position as of December 31, 2022 and 2021, and the related accompanying statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Greater Los Angeles Area Council, Inc. Boy Scouts of America as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Greater Los Angeles Area Council, Inc. Boy Scouts of America and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Los Angeles Area Council, Inc. Boy Scouts of America's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Greater Los Angeles Area Council, Inc. Boy Scouts of America's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Los Angeles Area Council, Inc. Boy Scouts of America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wipfli LLP
Duluth, Minnesota

November 14, 2023

Greater Los Angeles Area Council

Boy Scouts of America

Statements of Financial Position

December 31, 2022 and 2021

Assets	Operating Fund		Capital Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Current assets:								
Cash and cash equivalents	\$ 1,470,044	\$ 812,566	\$ 511,266	\$ -	\$ -	\$ -	\$ 1,981,310	\$ 812,566
Accounts receivable - Net	303,924	417,070	13,282	13,283	-	-	317,206	430,353
Contributions receivable - Net	911,347	1,172,096	200,000	274,301	-	540	1,111,347	1,446,937
Inventory	378,287	203,058	-	-	-	-	378,287	203,058
Prepaid expenses	230,107	80,043	-	-	-	-	230,107	80,043
Land held for sale	-	-	155,746	186,923	-	-	155,746	186,923
Interfund loans	(118,386)	541,193	47,496	(478,358)	70,890	(62,835)	-	-
Total current assets	3,175,323	3,226,026	927,790	(3,851)	70,890	(62,295)	4,174,003	3,159,880
Property and equipment - Net	-	-	26,603,288	27,593,977	-	-	26,603,288	27,593,977
Right-of-use (ROU) asset - operating leases	297,587	-	-	-	-	-	297,587	-
Right-of-use (ROU) asset - finance leases	129,958	-	-	-	-	-	129,958	-
Other assets:								
Contributions receivable - net of current portion	-	-	830,000	830,000	-	-	830,000	830,000
Investments	12,193	12,193	-	-	16,208,706	19,229,827	16,220,899	19,242,020
Beneficial interest in perpetual trusts	-	-	-	-	2,637,412	3,634,734	2,637,412	3,634,734
Beneficial interest in charitable remainder trust	-	-	-	-	131,879	165,950	131,879	165,950
Gift annuities receivable	-	-	-	-	39,290	44,288	39,290	44,288
Unemployment trust	103,916	119,307	-	-	-	-	103,916	119,307
Notes receivable	-	-	2,855,918	2,771,676	-	-	2,855,918	2,771,676
Total other assets	116,109	131,500	3,685,918	3,601,676	19,017,287	23,074,799	22,819,314	26,807,975
TOTAL ASSETS	\$ 3,718,977	\$ 3,357,526	\$ 31,216,996	\$ 31,191,802	\$ 19,088,177	\$ 23,012,504	\$ 54,024,150	\$ 57,561,832

Liabilities and Net Assets	Operating Fund		Capital Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Current liabilities:								
Accounts payable	\$ 497,930	\$ 94,069	\$ 10,000	\$ -	\$ -	\$ -	\$ 507,930	\$ 94,069
Accrued expenses	132,880	193,517	-	-	3,582	3,582	136,462	197,099
Accrued settlement contribution	-	8,000,000	-	-	-	-	-	8,000,000
Custodial accounts	184,287	368,563	-	-	-	-	184,287	368,563
Deferred revenue	676,855	268,645	-	-	-	-	676,855	268,645
Note payable - AMA	-	-	-	-	3,404,548	-	3,404,548	-
Liability under charitable remainder trust	-	-	-	-	14,969	14,969	14,969	14,969
Operating lease liabilities - current	273,689	-	-	-	-	-	273,689	-
Finance lease liabilities - current	46,200	-	-	-	-	-	46,200	-
Refundable advance liability	-	-	-	-	-	-	-	-
Paycheck protection program	-	452,695	-	-	-	-	-	452,695
Total current liabilities	1,811,841	9,377,489	10,000	-	3,423,099	18,551	5,244,940	9,396,040
Operating lease liabilities - net of current	23,522	-	-	-	-	-	23,522	-
Finance lease liabilities - net of current	84,167	-	-	-	-	-	84,167	-
Total liabilities	1,919,530	9,377,489	10,000	-	3,423,099	18,551	5,352,629	9,396,040
Net assets:								
Without donor restrictions	1,014,882	(7,043,596)	29,114,225	29,244,096	(2,969,181)	1,022,114	27,159,926	23,222,614
With donor restrictions	784,565	1,023,633	2,092,771	1,947,706	18,634,259	21,971,839	21,511,595	24,943,178
Total net assets	1,799,447	(6,019,963)	31,206,996	31,191,802	15,665,078	22,993,953	48,671,521	48,165,792
TOTAL LIABILITIES AND NET ASSETS	\$ 3,718,977	\$ 3,357,526	\$ 31,216,996	\$ 31,191,802	\$ 19,088,177	\$ 23,012,504	\$ 54,024,150	\$ 57,561,832

See accompanying notes to financial statements.

Greater Los Angeles Area Council Boy Scouts of America

Statements of Activities

Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Changes in net assets without donor restrictions:								
Direct support:								
Friends of Scouting	\$ 461,344	\$ 422,610	\$ -	\$ -	\$ -	\$ -	\$ 461,344	\$ 422,610
Foundations and trusts	174,502	225,653	-	-	-	-	174,502	225,653
Legacies and bequests	-	102,500	-	17,500	139,250	(1,404)	139,250	118,596
Contributed non-financial assets	2,247,013	3,754,375	-	-	-	-	2,247,013	3,754,375
Other direct support	93,994	19,500	-	-	-	-	93,994	19,500
Special events	1,201,743	818,383	-	-	-	-	1,201,743	818,383
Less: Direct cost of special events	(28,364)	(56,132)	-	-	-	-	(28,364)	(56,132)
Special events - Net	1,173,379	762,251	-	-	-	-	1,173,379	762,251
Total direct support	4,150,232	5,286,889	-	17,500	139,250	(1,404)	4,289,482	5,302,985
Indirect support:								
United Way	-	111	-	-	-	-	-	111
Government grants	452,695	858,179	-	127,222	-	-	452,695	985,401
Total indirect support	452,695	858,290	-	127,222	-	-	452,695	985,512
Net assets released from restriction	309,876	20,000	-	-	-	-	309,876	20,000
Revenue:								
Sales of supplies - gross	682,453	442,305	-	-	-	-	682,453	442,305
Less cost of goods sold	(492,691)	(279,277)	-	-	-	-	(492,691)	(279,277)
Net sales of supplies	189,762	163,028	-	-	-	-	189,762	163,028
Product sales	507,307	293,526	-	-	-	-	507,307	293,526
Less: Cost of goods sold	(147,120)	(102,294)	-	-	-	-	(147,120)	(102,294)
Less: Commissions paid to units	(184,428)	(104,849)	-	-	-	-	(184,428)	(104,849)
Net product sales	175,759	86,383	-	-	-	-	175,759	86,383
Camping revenue	2,896,706	2,096,418	-	-	-	-	2,896,706	2,096,418
Other revenue:								
Activity revenue	198,348	65,360	-	-	-	-	198,348	65,360
Investment income (loss) - Net	677,021	619,381	216,500	216,500	(714,704)	(328,973)	178,817	506,908
Contribution of land to fund settlement contribution	-	-	3,472,363	-	-	-	3,472,363	-
Other	1,667,235	1,387,446	2,286,444	104,061	-	-	3,953,679	1,491,507
Total other revenue	2,542,604	2,072,187	5,975,307	320,561	(714,704)	(328,973)	7,803,207	2,063,775
Total revenue	5,804,831	4,418,016	5,975,307	320,561	(714,704)	(328,973)	11,065,434	4,409,604
Total support and revenue	10,717,634	10,583,195	5,975,307	465,283	(575,454)	(330,377)	16,117,487	10,718,101

Greater Los Angeles Area Council

Boy Scouts of America

Statements of Activities (Continued)

Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Expenses:								
Program services	8,728,808	8,706,983	1,492,719	1,049,021	11,683	1,800	10,233,210	9,757,804
Support services:								
Management and general	735,776	663,174	5,082	18,450	1,695	-	742,553	681,624
Fundraising	1,091,072	679,072	7,377	20,064	2,463	-	1,100,912	699,136
Total support services	1,826,848	1,342,246	12,459	38,514	4,158	-	1,843,465	1,380,760
Total functional expenses	10,555,656	10,049,229	1,505,178	1,087,535	15,841	1,800	12,076,675	11,138,564
Charter and National service fees	103,500	90,000	-	-	-	-	103,500	90,000
Total expenses	10,659,156	10,139,229	1,505,178	1,087,535	15,841	1,800	12,180,175	11,228,564
Increase (decrease) in net assets without donor restrictions	58,478	443,966	4,470,129	(622,252)	(591,295)	(332,177)	3,937,312	(510,463)
Changes in net assets with donor restrictions:								
Direct support:								
Friends of Scouting	8	3,020	-	-	-	-	8	3,020
Special events	-	279,500	-	-	-	-	-	279,500
Capital campaign	-	-	120,905	102,726	-	-	120,905	102,726
Legacies and bequests	-	-	-	-	1,083	9,450	1,083	9,450
Foundations and trusts	70,800	-	24,160	-	-	-	94,960	-
Total direct support	70,808	282,520	145,065	102,726	1,083	9,450	216,956	394,696
Other revenue:								
Investment income - Net	-	-	-	-	(2,315,228)	2,182,410	(2,315,228)	2,182,410
Change in value of beneficial interest in perpetual trusts	-	-	-	-	(984,366)	1,097,553	(984,366)	1,097,553
Change in value of beneficial interest in charitable remainder trust	-	-	-	-	(34,071)	43,489	(34,071)	43,489
Change in value of gift annuities receivable	-	-	-	-	(4,998)	-	(4,998)	-
Total other revenue	-	-	-	-	(3,338,663)	3,323,452	(3,338,663)	3,323,452
Net assets released from restriction	(309,876)	(20,000)	-	-	-	-	(309,876)	(20,000)
Increase (decrease) in net assets with donor restrictions	(239,068)	262,520	145,065	102,726	(3,337,580)	3,332,902	(3,431,583)	3,698,148
Change in total net assets	(180,590)	706,486	4,615,194	(519,526)	(3,928,875)	3,000,725	505,729	3,187,685
Net assets, beginning of the year:								
Without donor restrictions	(7,043,596)	(7,487,562)	29,244,096	29,866,348	1,022,114	1,354,291	23,222,614	23,733,077
With donor restrictions	1,023,633	761,113	1,947,706	1,844,980	21,971,839	18,638,937	24,943,178	21,245,030
Total net assets, beginning of the year	(6,019,963)	(6,726,449)	31,191,802	31,711,328	22,993,953	19,993,228	48,165,792	44,978,107
Transfers of net assets	8,000,000	-	(4,600,000)	-	(3,400,000)	-	-	-
Net assets, end of the year:								
Without donor restrictions	1,014,882	(7,043,596)	29,114,225	29,244,096	(2,969,181)	1,022,114	27,159,926	23,222,614
With donor restrictions	784,565	1,023,633	2,092,771	1,947,706	18,634,259	21,971,839	21,511,595	24,943,178
Total net assets, end of the year	\$ 1,799,447	\$ (6,019,963)	\$ 31,206,996	\$ 31,191,802	\$ 15,665,078	\$ 22,993,953	\$ 48,671,521	\$ 48,165,792

See accompanying notes to financial statements.

Greater Los Angeles Area Council

Boy Scouts of America

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Supporting Services		2022 Total
		Management and General	Fundraising	
Employee compensation:				
Salaries	\$ 2,252,477	\$ 270,632	\$ 390,653	\$ 2,913,762
Employee benefits	430,017	18,291	72,694	521,002
Payroll taxes and worker's compensation	243,279	23,039	45,040	311,358
Employee related expenses	7,375	1,070	1,555	10,000
Total employee compensation	2,933,148	313,032	509,942	3,756,122
Other expenses:				
Professional fees	2,004,425	356,346	418,759	2,779,530
Supplies	1,047,246	3,666	9,866	1,060,778
Supplies and other for special events	-	-	28,364	28,364
Popcorn expenses	147,120	-	-	147,120
Commissions paid to units	184,428	-	-	184,428
Cost of inventory	492,691	-	-	492,691
Telephone	176,477	5,574	11,910	193,961
Postage and shipping	78,633	2,492	4,443	85,568
Occupancy	1,479,631	33,586	54,950	1,568,167
Rent and maintenance of equipment	76,718	1,327	1,928	79,973
Publications and media	12,432	454	12,165	25,051
Travel	440,362	2,195	17,128	459,685
Conferences and meetings	31,518	633	1,550	33,701
Specific assistance to individuals	163,087	-	-	163,087
Recognition awards	30,485	1,294	26,368	58,147
Interest	7,910	1,148	1,667	10,725
Insurance	187,688	5,172	7,517	200,377
Miscellaneous	388,774	6,529	9,488	404,791
Total other expenses	6,949,625	420,416	606,103	7,976,144
Expenses before depreciation	9,882,773	733,448	1,116,045	11,732,266
Depreciation and amortization	1,174,676	9,105	13,231	1,197,012
Total expenses	11,057,449	742,553	1,129,276	12,929,278
Less expenses included with revenue on the statement of activities:				
Direct cost of special events	-	-	(28,364)	(28,364)
Cost of goods sold - inventory	(492,691)	-	-	(492,691)
Cost of goods sold - popcorn	(147,120)	-	-	(147,120)
Commissions paid to units	(184,428)	-	-	(184,428)
Total functional expenses	\$ 10,233,210	\$ 742,553	\$ 1,100,912	\$ 12,076,675

See accompanying notes to financial statements.

Greater Los Angeles Area Council Boy Scouts of America

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Supporting Services		2021 Total
		Management and General	Fundraising	
Employee compensation:				
Salaries	\$ 1,902,856	\$ 265,089	\$ 189,030	\$ 2,356,975
Employee benefits	372,646	30,367	50,206	453,219
Payroll taxes and worker's compensation	192,895	13,216	19,677	225,788
Employee related expenses	17,092	1,642	1,785	20,519
Total employee compensation	2,485,489	310,314	260,698	3,056,501
Other expenses:				
Professional fees	3,401,985	322,369	375,719	4,100,073
Supplies	676,924	2,314	2,516	681,754
Supplies and other for special events	-	-	56,132	56,132
Cost of goods sold	279,277	-	-	279,277
Popcorn expenses	102,294	-	-	102,294
Commissions paid to units	104,849	-	-	104,849
Telephone	116,278	3,556	5,128	124,962
Postage and shipping	56,761	1,842	3,171	61,774
Occupancy	1,184,076	20,725	22,538	1,227,339
Rent and maintenance of equipment	107,953	4,177	4,543	116,673
Publications and media	2,961	71	5,343	8,375
Travel	310,941	1,072	(1,059)	310,954
Conferences and meetings	23,911	410	828	25,149
Specific assistance to individuals	190,545	-	-	190,545
Recognition awards	13,904	442	4,398	18,744
Insurance	247,333	6,075	6,606	260,014
Miscellaneous	59,328	5,599	5,817	70,744
Total other expenses	6,879,320	368,652	491,680	7,739,652
Expenses before depreciation	9,364,809	678,966	752,378	10,796,153
Depreciation	879,415	2,658	2,890	884,963
Total expenses	10,244,224	681,624	755,268	11,681,116
Less expenses included with revenue on the statement of activities:				
Direct cost of special events	-	-	(56,132)	(56,132)
Cost of goods sold - supplies	(279,277)	-	-	(279,277)
Cost of goods sold - popcorn	(102,294)	-	-	(102,294)
Commissions paid to units	(104,849)	-	-	(104,849)
Total functional expenses	\$ 9,757,804	\$ 681,624	\$ 699,136	\$ 11,138,564

See accompanying notes to financial statements.

Greater Los Angeles Area Council Boy Scouts of America

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	Operating Fund		Capital Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Cash flows from operating activities:								
Change in net assets	\$ (180,590)	\$ 706,486	\$ 4,615,194	\$ (519,526)	\$ (3,928,875)	\$ 3,000,725	\$ 505,729	\$ 3,187,685
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	45,867	-	1,151,145	884,963	-	-	1,197,012	884,963
Allowance for doubtful accounts receivable	(164,808)	19,904	-	-	-	-	(164,808)	19,904
Allowance for doubtful contributions receivable	29,373	30,875	-	-	-	-	29,373	30,875
Realized (gain) loss on investments	-	-	-	-	(130,406)	(214,573)	(130,406)	(214,573)
Unrealized gain on investments	-	-	-	-	2,941,453	(1,567,056)	2,941,453	(1,567,056)
Change in value of beneficial interest in charitable remainder trust	-	-	-	-	34,071	(43,489)	34,071	(43,489)
Change in value of beneficial interest in perpetual trusts	-	-	-	-	984,366	(1,097,553)	984,366	(1,097,553)
Change in value of gift annuities	-	-	-	-	4,998	-	4,998	-
Contribution of land to fund settlement contribution	-	-	(3,472,363)	-	-	-	(3,472,363)	-
Endowment fund contributions	-	-	-	-	(1,083)	(9,450)	(1,083)	(9,450)
Changes in assets and liabilities:								
Accounts receivable	277,954	(227,247)	1	(13,283)	-	-	277,955	(240,530)
Accrued interest on notes receivable	-	-	-	(108,502)	-	-	-	(108,502)
Contributions receivable - current	231,376	(756,989)	74,301	(103,026)	540	(90)	306,217	(860,105)
Inventory	(175,229)	(171,520)	-	-	-	-	(175,229)	(171,520)
Prepaid expenses	(150,064)	27,685	-	-	-	-	(150,064)	27,685
Operating leases ROU assets and lease liabilities	(376)	-	-	-	-	-	(376)	-
Accounts payable	403,861	35,955	10,000	(13,659)	-	-	413,861	22,296
Accrued expenses	(60,637)	(13,056)	-	-	-	(2)	(60,637)	(13,058)
Accrued settlement contribution	(8,000,000)	-	-	-	-	-	(8,000,000)	-
Custodial accounts	(184,276)	(474,645)	-	-	-	-	(184,276)	(474,645)
Refundable advance - Paycheck Protection Program	(452,695)	452,695	-	-	-	-	(452,695)	452,695
Deferred revenue	408,210	192,121	-	-	-	-	408,210	192,121
Unemployment trust	15,391	(69,742)	-	-	-	-	15,391	(69,742)
Net cash provided by (used in) operating activities	(7,956,643)	(247,478)	2,378,278	126,967	(94,936)	68,512	(5,673,301)	(51,999)
Cash flows from investing activities:								
Purchases of property and equipment	-	-	(160,456)	(467,284)	-	-	(160,456)	(467,284)
Contribution of land to fund settlement contribution	-	-	3,503,540	-	-	-	3,503,540	-
Payments received on notes receivable	-	200,000	(84,242)	-	-	-	(84,242)	200,000
Payments received on contributions receivable - noncurrent	-	-	-	200,000	-	-	-	200,000
Purchases of investments	-	(10,116)	-	-	223,030	(88,503)	223,030	(98,619)
Net cash provided by (used in) investing activities	-	189,884	3,258,842	(267,284)	223,030	(88,503)	3,481,872	(165,903)
Cash flows from financing activities:								
Proceeds from note payable - AMA	-	-	-	-	3,404,548	-	3,404,548	-
Payments on finance leases	(45,458)	-	-	-	-	-	(45,458)	-
Inter-fund transfers	8,000,000	-	(4,600,000)	-	(3,400,000)	-	-	-
Inter-fund receivables (payables)	659,579	(161,943)	(525,854)	155,614	(133,725)	6,329	-	-
Endowment fund contributions	-	-	-	-	1,083	9,450	1,083	9,450
Net cash provided by (used in) financing activities	8,614,121	(161,943)	(5,125,854)	155,614	(128,094)	15,779	3,360,173	9,450
Net increase (decrease) in cash and cash equivalents	657,478	(219,537)	511,266	15,297	-	(4,212)	1,168,744	(208,452)
Cash and cash equivalents at beginning of year	812,566	1,032,103	-	(15,297)	-	4,212	812,566	1,021,018
Cash and cash equivalents at end of year	\$ 1,470,044	\$ 812,566	\$ 511,266	\$ -	\$ -	\$ -	\$ 1,981,310	\$ 812,566

See accompanying notes to financial statements.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Greater Los Angeles Area Council, Inc. Boy Scouts of America, 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 youth at their appropriate age and ability levels. The Council provides services to youth ages 5 through 20.

The Council owned part or all of four camps and leased two other camp properties. Program delivery and camping activities took place at five of the six properties. The remaining camp was non operational during 2022 and 2021.

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

The Council's programs available to youth and young adults are classified as follows:

The Council provides the nation's foremost youth program of character development and values-based leadership training, which helps young people be "Prepared. For Life.®" The organization is composed of more than 10,000 youth members between the ages of 5 and 21 and more than 4,500 volunteers throughout the Greater LA service area.

Programs are divided by age and activity:

Cub Scouting is for boys and girls in kindergarten through 5th grade, Scouts BSA is open to young men and young women in grades 6 through 12, and co-ed Venturing and Sea Scouting are available for young men and young women age 14 through 20. The BSA also offers career-oriented co-ed Exploring programs to youth age 10 through 20.

Traditional Scouting programs are operated by local chartering organizations, such as religious institutions, clubs, civic associations, and educational organizations, which implement the Scouting program for youth within their communities. These units are led entirely by volunteers appointed by the chartering organization, who are supported by the Council using both volunteers and paid professional staff.

In order to further outdoor activities, which are core to Scouting's mission, the Council operates five camps in the Southern California area.

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

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions* - The part of net assets of the Council that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). At December 31, 2022 and 2021, included in net assets without donor restrictions are Board-designated net assets totaling \$(2,969,181) and \$1,022,114, respectively, that are part of the Endowment Fund.
- *Net Assets with Donor Restrictions* - The part of net assets of the Council that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Stipulations may be met, either by actions of the Council and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fund Accounting and Description of Funds

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Council are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The Council segregates and reports assets, liabilities, net assets, income, and expenses in three self-balancing funds as follows:

Operating Fund - The operating fund consists of expendable funds that are available for support of the Council's general operations.

Capital Fund - The Council's net undepreciated investment in property and equipment less related debt and expenses for its campgrounds and properties, and investments designated for capital additions.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Accounting and Description of Funds (Continued)

Endowment Fund - Gifts, memorials, and bequests subject to donor stipulations that require the principal to be invested for perpetuity in donor-restricted endowment funds and amounts designated by the Board to be invested in Board-designated endowment funds. Investment income available for distribution is presented as net assets without donor restrictions.

Cash

The Council considers all short-term cash accounts to be cash equivalents. The Council considers short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded when billed or accrued and represent amounts due from third parties that will be settled in cash. The carrying value of receivables are reported at net realizable value if the amounts are due within one year. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability 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, 2022 and 2021, there was no allowance for doubtful accounts.

Contributions Receivable

Contributions receivable arise from various Council programs such as Friends of Scouting and special events such as the Annual Gala and Business Leaders Breakfast, and other promises to give. Unconditional promises to give are recorded as receivables in the year promised. Conditional promises are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Promises to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Contributions receivable expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the promise.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions Receivable (Continued)

Management individually reviews all past due contribution receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of contribution receivable are reduced by allowances that reflect management's estimate of uncollectible amounts. As of December 31, 2022 and 2021, an allowance for uncollectible contributions of \$100,249 and \$70,875 was reported.

At December 31, 2022 and 2021, the Council also recorded in its financial statements \$641,596 and \$796,333, respectively, due from filing Forms 941X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, in order to receive amounts to which it is entitled under the Employee Retention Credit (ERC), which is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review, including an extended five year statute of limitations. There can be no assurance that regulatory authorities will not challenge the Council's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Council.

Notes Receivable

Notes receivable are recorded when the note agreement is fully executed. Management evaluates the collectability of notes receivable on an annual basis and records an allowance for doubtful notes when deemed necessary. There was no allowance for doubtful notes at December 31, 2022 and 2021.

Inventories

Inventories consist of Scouting supplies and other items available for resale. Cost is determined using the first in first out method. Inventories as of December 31, 2022 and 2021 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated investments are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property and Equipment

Land, buildings, and equipment purchased are recorded at cost. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to the appropriate fund. Land, buildings, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. It is the Council's policy to capitalize assets with a value of \$5,000 or more and with a useful life greater than one year.

Construction in progress represents costs incurred on the construction of assets that have not been completed or placed in service as of the end of the year.

Impairment of Long-Lived Assets

The Council reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Council has not recognized any impairment of long lived assets during 2022 and 2021.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property Held for Sale

Properties held for sale are carried at their estimated fair market value. Management has committed to a plan to sell the properties within the next 12 months.

Lease Accounting

The Council is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Council the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Council has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Council has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Council is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Council recognizes short-term lease cost on a straight-line basis over the lease term.

The Council made an accounting policy election for equipment and vehicles to not separate the lease components of a contract and its associated non-lease components (lessor-provided maintenance and other services). For all other underlying classes of assets, the Council separates lease and non-lease components to determine the lease payment.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Beneficial Interest in Charitable Remainder Trust

The Council has been named as an irrevocable beneficiary of a charitable trust held and administered by independent trustees. This trust was created independently by donors and are administered by outside agents designated by the donors. Therefore, the Council has neither possession nor control over the assets of the trusts. At the date the Council receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trust is reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

Beneficial Interests in Perpetual Trusts

The Council has been named as an irrevocable beneficiary of two perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Council either in perpetuity or for the life of the trusts; however, the Council will never receive the assets of the trusts. At the date the Council receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Custodial Accounts

The Council acts as the fiscal sponsor for various scouting units. As the fiscal sponsor, the Council coordinates the financial activities, through the receipt and disbursement of funds, on behalf of the various units. Revenue and expenses are not recognized in the accompanying statements of activities. Cash receipts in excess of disbursements are reflected in the custodial accounts liability in the statements of financial position.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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 restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Materials, Facilities, and Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Council reports the donations as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Materials, Facilities, and Services (Continued)

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

Revenue Recognition

The Council records the following exchange transaction revenue in its statements of activities for the years ending December 31, 2022 and 2021:

Sale of supplies - The Council's Scout Shop sells select Scouting-related items, uniforms, recognition items, camping products and attire. The Council also operates Trading Posts at its camps, which sells Scouting-related merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Council based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Council recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable customer returns exist at the end of an accounting period, the Council estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2022 and 2021.

Product sales - To help Scout packs and troops raise the money they need to fund programs and activities throughout the year, the Council participates in the Trail's End Popcorn program. Scout packs and troops purchase popcorn from the Council, which they then resell to customers. The Scout packs and troops earn a commission of 35% on each sale they make, which may be used to offset the price of the popcorn they purchase from the Council. The popcorn sale also helps the Council raise money in support of its programs. Popcorn sales to Scout units start in the fall of each year, with the units placing their orders online through the Trail's End website. The price the Scout unit pays for the popcorn is established by the Council, and each item is individually priced, so no allocation of the transaction price is required. Many BSA units are allowed to purchase popcorn "on account" with payment due at a later date. The Council is required to assess the probability of collecting these accounts receivable in order to determine whether there is a substantive transaction between the Council and the unit. In making this collectability assessment, the Council exercises judgment and considers all facts and circumstances, including its knowledge of the customer. With popcorn sales, the performance obligation is delivery of the product, which is fulfilled by the Council at predetermined times and locations. Revenue recognition occurs when the product has been delivered. The Council presents separately in its statements of activities and changes in net assets gross revenues from popcorn sales, cost of goods sold, and unit commissions (retained by or paid to the unit). Scout units have the right to return to the Council any unsold product, subject to a return-by date of November 12th. As of December 31, 2022 and 2021, minimal popcorn returns existed. Accordingly, no liability for probable customer returns was considered necessary.

Camping and Activity revenue - The Council conducts program-related experiences such as Day Camps, Day Hikes, Weekend Overnights, Camporees, and Summer Camps where the performance obligation is delivery of the

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

program. Fees for camps and activities are set by the Council. For resident camps, fees include program supplies, meals, lodging, recognition items, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Activities such as the National Scout Jamboree may include a transportation component in the transaction price. Some special camp programs do incur additional fees (shooting sports, for example), which are separately priced. BSA activities such as Wood Badge may involve program supplies, recognition items, and meals, and are also considered to be one performance obligation. Fees collected in advance of delivery of the camp or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred.

Special event revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council and it allocates the transaction price to the performance obligations. Accordingly, the Council separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council treats the transaction as a refundable advance along with the exchange component.

Other Revenue - Other revenue consists of unit assessment, rent revenue and other miscellaneous revenue. Unit assessment revenue is a yearly fee charged to each unit at the time they recharter. This fee is to cover costs of programs provided by the Council. The fee is a per member fee and is nonrefundable. There are no specific performance obligations required to be provided by the Council and revenue is recognized when the unit is charged at recharter. Rent revenue is recognized on a monthly basis as earned. Other revenue is insignificant and is recognized when received.

Sales and other taxes the Council collects concurrent with revenue-producing activities are excluded from revenue.

Functional Allocation of Expenses

The costs of providing the Scouting program and supporting services have been summarized on the statement of activities and changes in net assets on a functional basis. Most expenses can be directly attributed to the program or supporting functions. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

basis, as well as salaries and benefits and travel costs, which are allocated on the basis of estimates of time and effort. The basis of allocation of these expenses is the result of a time study of staff performed every 3 years. The percentage of time allocated to each of the programs and the supporting functions is based on the average of the results of three separate studies and is applied to the expenses that are allocated. In accordance with the policy of the National Council of the Boy Scouts of America (the "National Council"), the payment of the charter fee to the National Council is not allocated as a functional expense. The financial statements report expenses by function in the statements of functional expenses.

Income Taxes

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Council is classified as a public charity. The Council is also exempt from state income taxes under similar provisions of the State of California. The Council currently has no unrelated business income.

The Council assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Council recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could materially differ from those estimates.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

As of January 1, 2022, the Council adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets* (Topic 958). The amendments in this update requires entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Council adopted this guidance for the year ended December 31, 2022, with modified retrospective application to January 1, 2022 through a cumulative-effect adjustment. The Council has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Council accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Council did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

This standard did not have a material impact on the Council's net assets or cash flows from operations and had an immaterial impact on the Council's operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating and finance leases.

As a result of the new lease accounting standard, the Council recognized the following ROU assets and lease liabilities as of January 1, 2022:

ROU Assets - Operating Leases	\$125,605
Operating lease liabilities	\$125,605
ROU Assets - Finance Leases	\$176,133
Finance Lease Liabilities	\$176,133

Subsequent Events

The Council has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 14, 2023, which is the date the financial statements were available to be issued.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 2: Accounts Receivable and Contract Balances

Opening and closing balances for contract assets, contract liabilities, and accounts receivable arising from contracts with customers include:

	12/31/2022	12/31/2021	1/1/2021
Contract liabilities	\$ 676,855	\$ 268,645	\$ 76,524
Accounts receivable	\$ 317,206	\$ 430,353	\$ 209,727

Contract assets arise when the Council transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Council is able to invoice the customer. There were no contract assets at December 31, 2022 or 2021 or January 1, 2021. Contract liabilities represent the Council's obligation to transfer goods or services to a customer when consideration has already been received from the customer. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized.

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

<i>As of December 31,</i>	2022	2021
Friends of Scouting	\$ 70,246	\$ 71,514
Employee Retention Credit	641,596	796,333
Capital campaign	1,030,000	1,050,000
Special events	274,754	350,124
Grants receivable	-	54,301
Foundations and trust	25,000	25,000
Endowment fund	-	540
Total	2,041,596	\$ 2,347,812
Less allowance for uncollectible contributions	(100,249)	\$ (70,875)
Contributions receivable - net	\$ 1,941,347	\$ 2,276,937

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Contributions Receivable (Continued)

Contributions receivable are expected to be collected as follows:

<i>As of December 31,</i>	2022	2021
Less than one year	\$ 1,211,596	\$ 1,517,812
More than one year	830,000	830,000
Total	2,041,596	2,347,812
Less allowance for uncollectible contributions	(100,249)	(70,875)
Contributions receivable - net	\$ 1,941,347	\$ 2,276,937

Contributions receivable due in more than one year have not been discounted to present value due to the estimated discount to be insignificant.

Note 4: Notes Receivable

In October 2019, the Council sold a property for \$650,000, of which \$400,000 was included as a note receivable. The note receivable bears an interest at two percent for the first ninety days and four percent thereafter, with the principal and interest due on or before the maturity date, October 31, 2022. This note is secured by a deed of trust. The note was paid in full during the year ended December 31, 2021.

In May 2019, the Council sold a property for \$3,294,335, of which \$2,500,000 was included as a note receivable. The note receivable bears annual interest at four percent, with interest only payments starting June 2022. The remaining principal and interest is due on or before the maturity date, May 20, 2024. This note is secured by a deed of trust. The balance on the note receivable was \$2,855,918 and \$2,771,676 at December 31, 2022 and 2021, respectively.

Future principal payments to be received on this note is as follows:

<i>Years Ended December 31,</i>	
2024	\$ 2,855,918
Total	\$ 2,855,918

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 5: Land Held for Sale

As of December 31, 2022 and 2021, the Council had classified \$155,746 and \$186,923, respectively, of assets as land held for sale in the statement of financial position.

Note 6: Property and Equipment

A summary of property and equipment is as follows:

<i>As of December 31, 2022</i>	Estimated Life	Cost	Accumulated Depreciation	Net
Land		\$ 763,257	\$ -	\$ 763,257
Land improvements	10 yrs	3,046,851	2,043,178	1,003,673
Buildings	50 yrs	25,413,926	3,768,555	21,645,371
Leasehold improvements	20 yrs	2,056,983	685,313	1,371,670
Camp equipment	10 yrs	2,136,869	919,768	1,217,101
Office equipment	3 - 10 yrs	94,571	48,204	46,367
Vehicles	4 yrs	223,962	106,212	117,750
Construction in progress		438,099	-	438,099
Total		\$ 34,174,518	\$ 7,571,230	\$ 26,603,288

<i>As of December 31, 2021</i>	Estimated Life	Cost	Accumulated Depreciation	Net
Land		\$ 795,092	\$ -	\$ 795,092
Land improvements	10 yrs	3,017,801	1,740,216	1,277,585
Buildings	50 yrs	25,413,926	3,258,512	22,155,414
Leasehold improvements	20 yrs	2,056,983	582,199	1,474,784
Camp equipment	10 yrs	2,119,580	707,677	1,411,903
Office equipment	3 - 10 yrs	94,571	39,624	54,947
Vehicles	4 yrs	123,428	91,857	31,571
Construction in progress		392,681	-	392,681
Total		\$ 34,014,062	\$ 6,420,085	\$ 27,593,977

Depreciation expense totaled \$1,151,145 and \$884,968 for the years ending December 31, 2022 and 2021, respectively.

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Notes to Financial Statements

Note 7: Leases

San Gabriel Valley Office

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 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, 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 through 2023 with an option to renew through 2025. 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 and therefore has not recorded any retirement obligation in the accompanying financial statements. Lease expense for 2022 and 2021 totaled \$241,774 and \$231,108, respectively. The Council subleases its facilities at Camp Cherry Valley to another nonprofit organization on an attendance basis. Sublease rental income for 2022 and 2021 totaled \$393,797 and \$205,096 respectively, and is included in other revenue in the accompanying statements of activities. This lease was recorded as an operating lease in the statement of financial position beginning January 1, 2022.

Camp Cabrillo

The Council has an agreement with the City of Los Angeles which provides the Council with free use of the land 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 land rent free on a month-to-month basis. The Council is currently negotiating a new lease agreement with the City of Los Angeles. The Council recognized \$210,000 of in kind revenue and expense related to this lease for both years ended December 31, 2022 and 2021.

Arcadia Retail Shop and Office Lease

The Council leases a retail shop and office space under an operating lease agreement through June 30, 2022 with an option to renew through June 30, 2024. Lease expense for 2022 and 2021 totaled \$60,436 and \$53,882, respectively. This lease was recorded as an operating lease in the statement of financial position beginning January 1, 2022.

Equipment

The Council leases copiers under a finance lease that expires in October 2025.

The leases entered into include one or more options to renew. The exercise of lease renewal options is at the Council's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 7: Leases (Continued)

The Council does not intend to exercise the renewal option for its Camp Cherry Valley lease, which consists of a two-year option. The Council intends to exercise the renewal option for its Arcadia retail shop and office space lease, which consists of two one-year options. The renewal options have been recognized in the respective right-of-use asset and liability. All other renewal options have not been recognized as the Council does not intend to exercise those options.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Council's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for one of the Council's leases, variable payments. The Council's retail shop and office space lease require it to make variable payments for common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Operating leases are included in the following asset and liability accounts on the Council's Statement of Financial Position: Operating Lease Assets, Current Operating Lease Liabilities, and Noncurrent Operating Lease Liabilities. ROU assets and liabilities arising from finance leases are included in the following asset and liability accounts on the Council's Consolidated Statement of Financial Position: Finance Lease Assets, Current Finance Lease Liabilities, and Noncurrent Finance Lease Liabilities.

Components of lease expense were as follows for the year ended December 31, 2022:

Lease income	
Finance lease cost:	
Interest	\$ 424
Amortization of right-of-use asset	45,867
Operating lease cost	272,869
Sublease income	(393,797)
<hr/>	
Total lease income	\$ (74,637)

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Other information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$ 424
Operating cash flows from operating leases	\$ 272,233
Financing cash flows from finance leases	\$ 45,766

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Notes to Financial Statements

Note 7: Leases (Continued)

	Years
Weighted-average remaining lease term - Finance leases	2.83
Weighted-average remaining lease term - Operating leases	1.13
Weighted-average discount rate - Finance leases	0.28 %
Weighted-average discount rate - Operating leases	0.90 %

Maturities of lease liabilities are as follows as of December 31, 2022:

<i>Years Ended December 31,</i>	Operating Leases	Finance Leases
2023	\$ 273,689	\$ 46,200
2024	26,000	46,200
2025	-	38,500
Total lease payments	299,689	130,900
Less imputed interest	(2,478)	(533)
Total	\$ 297,211	\$ 130,367

Sublease

In September 2020, the Council entered into an agreement to sublease its San Gabriel Valley offices. The sublease began February 1, 2021 and runs through January 31, 2031. The sublease agreement requires monthly payments of \$28,500, includes scheduled annual increases of 3%, and a tenant improvement allowance of \$35,000.

The scheduled minimum sublease payments under the lease terms are as follows:

2023	\$ 352,260
2024	362,828
2025	373,713
2026	384,924
2027	396,472
Thereafter	1,708,451
Total	\$ 3,578,648

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Notes to Financial Statements

Note 7: Leases (Continued)

Lease Obligations Under ASC 840

The scheduled minimum lease payments under the lease terms, excluding the donated use of facilities at Camp Cabrillo are as follows at December 31, 2021:

2022	\$	293,676
2023		46,704
2024		46,704
2025		46,704
2026		43,854
Thereafter		84
<hr/>		
Total	\$	477,726

Note 8: Investments

Net investment income consisted of the following:

<i>Years Ended December 31,</i>	2022	2021
Interest and dividends	\$ 736,732	\$ 934,529
Realized gains	130,406	214,573
Unrealized gain (losses)	(2,941,453)	1,567,056
Fees	(62,096)	(26,840)
<hr/>		
Total investment income	\$ (2,136,411)	\$ 2,689,318

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 is limited to 25% of the investment portfolio assets. At December 31, 2022 the Council had \$3,404,548 outstanding on the AMA. The negative balance of \$2,969,181 presented as part of endowment net assets without donor restrictions as of December 31, 2022, is the result of a margin loan collateralized by the Council's investments. The loan was taken to satisfy, in part, the Council's required contribution to the Statutory Trust established as part of the bankruptcy proceedings of the National Council. The Council intends to satisfy this debt in 2023 with the sale of ancillary property. At December 31, 2021, the Council did not have an outstanding balance on the AMA.

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments are recorded initially in the Endowment Fund. Distributions of investment income from the endowment fund are recorded as income by the Operating and Capital Funds in the period in which the

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 8: Investments (Continued)

distributions are made in accordance with the Council's spending policy. For 2022 and 2021, investment expenses were \$62,096 and \$26,840 and were included in investment income-net in the statements of activities.

Note 9: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

- Money market fund - The money market mutual fund consists primarily of domestic commercial paper and other cash management instruments such as repurchase agreements and master notes, U. S. government and corporate obligations, and other securities of foreign issuers. The funds seeks to maintain a stable net asset value (NAV) of \$1.
- Mutual funds and exchange traded funds are valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Council are open-end mutual funds and exchange traded funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds and exchange traded funds held by the Council are deemed to be actively traded.
- Private equity consists 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.
- 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 September 30, 2022 (the most recent date that this information was available), unfunded commitments on the alternative investments amounted to \$103,329.
- Gift annuities receivable - The fair value is based on the present value of future payments to be made to other beneficiaries.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 9: Fair Value Measurements (Continued)

- Beneficial interest in perpetual trusts - The Council is the primary income beneficiary of two perpetual trusts, and whose assets are held by a third party. Under the terms of the trusts, the Council has the irrevocable right to receive the income generated by the trusts in perpetuity. The Council reports its interest in the perpetual trust at the fair value of the assets held in the trust.
- Beneficial interest in charitable remainder trust - The Council has an irrevocable beneficial interest in a charitable remainder trust that is administered by an independent trustee. The Council reports its remainder interest at the net present values of the estimated future cash flows expected to be received from the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	Fair Value of Assets as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 351,294	\$ -	\$ -	\$ 351,294
Equities	12,193	-	-	12,193
Exchange traded funds	6,059,920	-	-	6,059,920
Private equity	-	-	56,608	56,608
Mutual funds:				
Emerging markets	1,226,157	-	-	1,226,157
International	1,723,221	-	-	1,723,221
U.S. large company	1,730,575	-	-	1,730,575
U. S. small company	4,242,768	-	-	4,242,768
Real estate investment trusts	452,652	-	-	452,652
Alternative investments	-	-	365,511	365,511
Beneficial interest in charitable remainder trust	-	-	131,879	131,879
Beneficial interest in perpetual trusts	-	-	2,637,412	2,637,412
Gift annuities receivable	-	-	39,290	39,290
Total	\$ 15,798,780	\$ -	\$ 3,230,700	\$ 19,029,480

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 9: Fair Value Measurements (Continued)

	Fair Value of Assets as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 282,393	\$ -	\$ -	\$ 282,393
Equities	12,193	-	-	12,193
Exchange traded funds	7,165,860	-	-	7,165,860
Private equity	-	-	60,966	60,966
Mutual funds	-	-	-	-
Emerging markets	1,431,511	-	-	1,431,511
International	1,973,502	-	-	1,973,502
U.S large company	2,744,655	-	-	2,744,655
U.S. small company	4,507,055	-	-	4,507,055
Real estate investment trusts	594,721	-	-	594,721
Alternative investments	-	-	469,164	\$ 469,164
Beneficial interest in charitable remainder trust	-	-	165,950	165,950
Beneficial interest in perpetual trusts	-	-	3,634,734	3,634,734
Gift annuities receivable	-	-	44,288	44,288
Total	\$ 18,711,890	\$ -	\$ 4,375,102	\$ 23,086,992

There were no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2022 and 2021.

The following table sets forth a summary of changes in the fair value of Level 3 investments for the years ended December 31, 2022 and 2021:

	Private Equity	Alternative Investments	Gift Annuities Receivable	Beneficial Charitable Remainder Trust	Beneficial Perpetual Trusts	Total
Balance as of January 1, 2021	\$ 62,777	\$ 429,268	\$ 44,288	\$ 122,461	\$ 2,552,923	\$ 3,211,717
Purchases	-	3,750	-	-	-	3,750
Sales	-	(55,521)	-	-	(15,742)	(71,263)
Net realized and unrealized (loss)	(1,811)	91,667	-	-	-	89,856
Change in value of beneficial interest	-	-	-	43,489	1,097,553	1,141,042
Balance, December 31, 2021	60,966	469,164	44,288	165,950	3,634,734	4,375,102
Sales	-	-	-	-	(12,956)	(12,956)
Net realized and unrealized gain (loss)	(4,358)	(103,653)	-	-	-	(108,011)
Change in value of beneficial interest	-	-	-	(34,071)	(984,366)	(1,018,437)
Change in value of gift annuities receivable	-	-	(4,998)	-	-	(4,998)
Balance as of December 31, 2022	\$ 56,608	\$ 365,511	\$ 39,290	\$ 131,879	\$ 2,637,412	\$ 3,230,700

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 10: Endowments

The Council's endowments consist of several individual funds and liabilities established for specific purposes. Endowment funds are established by donor-restricted gifts 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 trusts is considered part of the Council's endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of the purchasing power of the original gift amount that was contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Council considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Council has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, 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 Council 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

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.

Investment Strategies

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.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 10: Endowments (Continued)

Spending Policy

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.

Composition of endowment net assets for the year ended December 31, 2022, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,634,259	\$ 18,634,259
Board-designated endowment funds	(2,969,181)	-	(2,969,181)
Total	\$ (2,969,181)	\$ 18,634,259	\$ 15,665,078

Composition of endowment net assets for the year ended December 31, 2021, was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 21,971,839	\$ 21,971,839
Board-designated endowment funds	1,022,114	-	1,022,114
Total	\$ 1,022,114	\$ 21,971,839	\$ 22,993,953

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 10: Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,022,114	\$ 21,971,839	\$ 22,993,953
Contributions	139,250	1,083	140,333
Investment income	325,920	323,446	649,366
Realized and unrealized gains	(225,735)	(2,585,312)	(2,811,047)
Investment fees	(8,734)	(53,362)	(62,096)
Change in value of beneficial interest in charitable remainder trust	-	(34,071)	(34,071)
Change in value of beneficial interest in perpetual trusts	-	(984,366)	(984,366)
Change in value of beneficial interest in gift annuities receivable	-	(4,998)	(4,998)
Endowment fund expenses	(7,540)	-	(7,540)
Trust fees	(12,956)	-	(12,956)
Transfer	(3,400,000)	-	(3,400,000)
Appropriation of endowment net assets for expenditure pursuant to spending policy	(801,500)	-	(801,500)
Endowment net assets, end of year	\$ (2,969,181)	\$ 18,634,259	\$ 15,665,078

The negative balance in board-designated endowment funds is the result of a margin loan collateralized by the Council's investments. The loan was taken to satisfy, in part, the Council's required contribution to the Statutory Trust established as part of the bankruptcy proceedings of the National Council. The Council intends to satisfy this debt in 2023 with the sale of ancillary property.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 10: Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 1,354,291	\$ 18,638,937	\$ 19,993,228
Contributions	(1,394)	9,450	8,056
Investment income	368,926	565,402	934,328
Realized and unrealized gains	139,849	1,641,780	1,781,629
Investment fees	(2,068)	(24,772)	(26,840)
Change in value of beneficial interest in charitable remainder trust	-	43,489	43,489
Change in value of beneficial interest in perpetual trusts	-	1,097,553	1,097,553
Endowment fund expenses	(1,800)	-	(1,800)
Trust fees	(15,741)	-	(15,741)
Appropriation of endowment net assets for expenditure pursuant to spending policy	(819,949)	-	(819,949)
Endowment net assets, end of year	\$ 1,022,114	\$ 21,971,839	\$ 22,993,953

From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires the Council to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in net assets without donor restrictions. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of December 31, 2022 and 2021, there were no such deficiencies.

Note 11: Paycheck Protection Program

On February 25, 2021, the Council was granted and received a \$452,695 award under the second round of the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. As of December 31, 2021, the Council initially recorded the award as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP award no longer existed. The Council has recognized \$452,695 as grant revenue for the year ended December 31, 2022, which represents 100% of the award.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 12: Net Assets and Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>December 31, 2022</i>	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specified purpose:				
Capital campaign	\$ -	\$ 1,648,909	\$ -	\$ 1,648,909
Property improvements	-	443,862	-	443,862
Council general	339,833	-	-	339,833
<hr/>				
Total subject to expenditure for specified purpose	339,833	2,092,771	-	2,432,604
Subject to passage of time:				
Friends of Scouting	3,108	-	-	3,108
Special events	441,624	-	-	441,624
<hr/>				
Total subject to passage of time	444,732	-	-	444,732
<hr/>				
Subject to Council spending policy and appropriation	-	-	18,634,259	18,634,259
<hr/>				
Total net assets with donor restrictions	\$ 784,565	\$ 2,092,771	\$ 18,634,259	\$ 21,511,595

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 12: Net Assets and Restrictions (Continued)

<i>December 31, 2021</i>	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for specified purpose:				
Capital campaign	\$ -	\$ 1,503,844	\$ -	\$ 1,503,844
Property improvements	-	443,862	-	443,862
Council general	469,013	-	-	469,013
<hr/>				
Total subject to expenditure for specified purpose	469,013	1,947,706	-	2,416,719
Subject to passage of time:				
Friends of Scouting	3,120	-	-	3,120
Special events	551,500	-	-	551,500
<hr/>				
Subject to Council spending policy and appropriation	-	-	21,971,839	21,971,839
<hr/>				
Total net assets with donor restrictions	\$ 1,023,633	\$ 1,947,706	\$ 21,971,839	\$ 24,943,178

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows as of December 31:

<i>Years Ended December 31,</i>	2022	2021
Foundations and trusts	\$ 200,000	\$ -
Satisfaction of time restrictions:		
Friends of Scouting	-	15,000
Special events	109,876	5,000
<hr/>		
Total net assets released from restriction	\$ 309,876	\$ 20,000

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 13: Special Event Revenue

Gross receipts from special fundraising events recorded by the Council consist of exchange transaction revenue and contribution revenue.

<i>For the Year Ended December 31,</i>	2022	2021
Contribution revenue	\$ 1,173,379	\$ 1,041,751
Exchange transaction revenue (benefit to customer)	28,364	56,132
Total special event revenue	\$ 1,201,743	\$ 1,097,883

Note 14: Contributed Nonfinancial Assets

During 2022 and 2021, donated professional services and rent totaling \$2,247,013 and \$3,754,375, respectively, were received which satisfied the criteria for recognition during the year, of which \$2,037,013 and \$3,544,375, respectively, related to legal services performed by various Council volunteers. The remaining portion totaling \$210,000 is donated use of Camps Cabrillo and Log Cabin for both years ended December 31, 2022 and 2021.

Contributed nonfinancial assets do not include any donor restrictions.

The contributed use of camps are based on the value of the use of similar property.

Contributed services recognized comprise professional services from attorneys advising the on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Note 15: Retirement Plans

BSA Retirement Plan

The National Council has a qualified defined benefit pension plan (the "Plan") administered at the national office that covers employees of the National Council and local Councils including this local area Council. The Plan name is the *Boy Scouts of America Master Pension Trust - Boy Scouts of America Retirement Plan for Employees*. Effective August 1, 2020, the plan was frozen to all employees. The Council contributed 7.75% of eligible employees' compensation, increasing to 12% on July 1, 2021, to the BSA retirement program. Pension expense (excluding the contributions made by employees) for the years ended December 31, 2022 and 2021 was \$224,750 and \$177,576, respectively, and covered current service cost. The actuarial information for the plan as of February 1, 2021, indicates that it is in compliance with ERISA regulations regarding funding.

BSA Match Savings Plan

The Council participates in a defined contribution plan established by the National Council of the Boy Scouts of America. The plan name is the *BSA Match Savings Plan*, which covers substantially all of the employees of the Council. Participants in the BSA Match Savings Plan may elect to make voluntary before-tax contributions based

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 15: Retirement Plans (Continued)

on a percentage of their pay, subject to certain limitations set forth in the Internal Revenue Code of 1986, as amended. The Council matches employee contributions to the BSA Match Savings Plan up to 50 percent of contributions from each participant, limited to 6 percent of each employee's gross pay. The Council made contributions of \$50,127 and \$50,384, respectively, to the BSA Match Savings Plan during the years ended December 31, 2022 and 2021.

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 years ended December 31, 2022 and 2021, the Council remitted approximately \$213,863 and \$194,401, respectively, on behalf of its employees to the National Council related to the health care plan.

Note 16: Related Parties

The Council pays an annual national service fee to the Boy Scouts of America, Inc. (BSA), a related party. The BSA oversees the Council's program and sets rules and regulations that the Council must follow. For the years ended December 31, 2022 and 2021 this fee totaled \$103,500 and \$90,000, respectively.

The Council collects annual registration fees from local packs, troops, crews, and posts, and remits these fees to the National Council. These fees are not recognized in the Council's statements of activities. The Council remitted \$635,906 and \$1,124,216 in registration fees to the National Council during 2022 and 2021, respectively. Due to timing differences, unremitted fees at the end of the period are included in the custodial accounts liability.

The National Council operates a Scout shop within the Los Angeles area. The National Council pays the Council an 8% commission on gross sales up to \$750,000, and 5% in excess of \$750,000. The commissions earned before expenses by the Council during the years ended December 31, 2022 and 2021 amounted to \$77,605 and \$53,647, respectively, which are included in other revenue in the statements of activities.

Donated legal services totaling \$2,037,013 and \$3,544,375 were provided by various Council volunteers during the years ended December 31, 2022 and 2021, respectively.

The Council conducted business with a direct mail and consulting firm whose principal is also a Board member. The Council paid \$23,336 and \$24,082 to this firm during the years ended December 31, 2022 and 2021, respectively.

Note 17: Concentration of Credit Risk

The Council maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Council has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 18: Liquidity and Availability of Resources

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

<i>As of December 31,</i>	2022	2021
Cash - Operating Fund	\$ 1,470,044	\$ 812,566
Accounts receivable, net - Operating Fund	303,924	417,070
Contributions receivable, net - Operating Fund	911,347	1,172,096
Total financial assets as of end of year	2,685,315	2,401,732
Appropriation from endowment for general expenditure in subsequent year	804,000	798,000
Less: Net assets with donor restrictions	(784,565)	(1,023,633)
Less: Custodial accounts	(184,287)	(368,563)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,520,463	\$ 1,807,536

The Council's endowment funds consist of donor-restricted endowments and a Board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The endowment has a spending rate of up to 5% of the preceding four years ending June 30 average balance of the endowment fund. \$804,000 and \$798,000 of appropriations from the endowment will be available within the next 12 months as of December 31, 2022 and 2021, respectively.

As part of the Council's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Council invests cash in excess of daily requirements in short-term investments. Additionally, the Council has a Board-designated endowment. Although the Council does not intend to spend from its Board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Additionally, the Council has entered into an agreement which allows it to borrow against its investment portfolio. At December 31, 2022, the maximum borrowing amount available to the Council was \$2,783,079.

Greater Los Angeles Area Council, Inc. Boy Scouts of America

Notes to Financial Statements

Note 19: Commitments and Contingencies

Litigation and Contingencies

The Council is insured through the BSA General Liability Insurance Program (“GLIP”), which covers the National Council and all local councils on a worldwide basis. This program, which began in 1978, is composed of primary insurance and excess liability insurance provided by a number of companies. GLIP provides primary coverage with respect to claims arising out of Official Scouting Activities and responds to allegations of negligent actions by third parties that result in personal injury or property damage claims. The Council was made aware of claims alleging sexual abuse against it. A number of those claims were not formally filed against the Council and were asserted in claims forms in connection with the National Council’s bankruptcy.

On February 18, 2020, the National Council filed for relief under Chapter 11 of the United States Bankruptcy Code to resolve all sexual abuse litigation against the National Council and against all local councils, including the Council, that arose prior to the date of filing. On September 8, 2022, the Bankruptcy Court entered an order confirming the Third Modified Fifth Amended Chapter 11 Plan of Reorganization, which required all local councils, including the Council, to make a substantial contribution to the Settlement Trust in exchange for such protection from sexual abuse claims. At that time, the Council committed to contribute \$8,000,000 to the Settlement Trust in accordance with the Plan of Reorganization. In return for the Council’s contribution to the Settlement Trust, the Plan channels to the Settlement Trust abuse claims that arose prior to the filing date and the Council has no further liability for those claims. The National Council emerged from bankruptcy on April 19, 2023. The Council’s contribution to the plan of reorganization of \$8,000,000 was included in accrued expenses for the year ended December 31, 2021. This was paid during the year ended December 31, 2022 through contributions of land with an appraised value of \$3,535,375 and cash of \$4,464,625.