

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

**Financial Statements
With
Independent Auditor's Report**

**For the Year Ended December 31, 2015
(With Comparative Totals for December 31, 2014)**

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INDEPENDENT AUDITOR'S REPORT

Executive Board
California Inland Empire Council
Boy Scouts of America
Redlands, California

We have audited the accompanying financial statements of The California Inland Empire Council, Boy Scouts of America (the Council) which are comprised of the statement of financial position as of December 31, 2015 and the related statement of activities, cash flows, and functional expenses for the year then ended, and the notes to the financial statements. The prior year summarized comparative information has been derived from the Council's 2014 financial statements; see Note 2 in the notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Riverside, California
May 19, 2016


CHRISTENSON & DE GOOD
Certified Public Accountants

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**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Statement of Financial Position

December 31, 2015

(With Comparative Totals for December 31, 2014)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2015	2014
ASSETS					
Current assets					
Cash and cash equivalents	\$ 369,167		\$ 7,175	\$ 376,342	\$ 349,973
Accounts receivable	17,603			17,603	20,738
Pledges receivable (net)	109,747			109,747	115,456
Inventory	6,838			6,838	7,845
Prepaid expenses	37,623			37,623	30,804
Interfund receivable/payable	43,853	\$ (10,880)	(32,973)		
Total current assets	<u>584,831</u>	<u>(10,880)</u>	<u>(25,798)</u>	<u>548,153</u>	<u>524,816</u>
Noncurrent assets					
Land, buildings and equipment (Note 3)		1,578,531		1,578,531	2,168,766
Investments (Note 4)			611,516	611,516	607,037
Other assets	166,135			166,135	166,135
Total noncurrent assets	<u>166,135</u>	<u>1,578,531</u>	<u>611,516</u>	<u>2,356,182</u>	<u>2,941,938</u>
Total assets	<u>\$ 750,966</u>	<u>\$1,567,651</u>	<u>\$585,718</u>	<u>\$2,904,335</u>	<u>\$3,466,754</u>
LIABILITIES AND NET ASSETS					
Current liabilities and deferred revenue					
Accounts payable	\$ 118,752			\$ 118,752	\$ 84,187
Accrued expenses	32,410			32,410	33,632
Custodian accounts	367,061			367,061	419,347
Deferred revenue – camping and activities	93,320			93,320	55,790
Bank loan payable, current portion (Note 5)	30,820			30,820	28,650
Total current liabilities and deferred revenue	<u>642,363</u>			<u>642,363</u>	<u>621,606</u>
Noncurrent liabilities					
Bank loan payable (Note 5)	393,710			393,710	424,515
Total noncurrent liabilities	<u>393,710</u>			<u>393,710</u>	<u>424,515</u>
Total liabilities and deferred revenue	<u>1,036,073</u>			<u>1,036,073</u>	<u>1,046,121</u>
Net assets					
Unrestricted (deficit)	(394,143)	\$1,567,651	\$242,006	1,415,514	1,994,126
Temporarily restricted (Note 6)	109,036		9,476	118,512	105,853
Permanently restricted			334,236	334,236	320,654
Total net assets (deficit)	<u>(285,107)</u>	<u>1,567,651</u>	<u>585,718</u>	<u>1,868,262</u>	<u>2,420,633</u>
Total liabilities and net assets	<u>\$ 750,966</u>	<u>\$1,567,651</u>	<u>\$585,718</u>	<u>\$2,904,335</u>	<u>\$3,466,754</u>

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

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Statement of Activities

For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2015	2014
CHANGES IN UNRESTRICTED NET ASSETS					
Public Support					
Friends of Scouting	\$ 737,592			\$ 737,592	\$ 795,539
Provision for uncollectibles	(31,060)			(31,060)	(32,666)
Net Friends of Scouting	<u>706,532</u>			<u>706,532</u>	<u>762,873</u>
Special events, gross	247,780			247,780	215,058
Less cost of direct benefit	(42,743)			(42,743)	(48,576)
Special events, net	<u>205,037</u>			<u>205,037</u>	<u>166,482</u>
Other contributions	<u>161,856</u>	\$ 5,750		<u>167,606</u>	<u>159,915</u>
United Way	<u>28,069</u>			<u>28,069</u>	<u>31,314</u>
Total public support	<u>1,101,494</u>	<u>5,750</u>		<u>1,107,244</u>	<u>1,120,584</u>
Revenue					
Sales of product	937,919			937,919	960,122
Less cost of product	(256,966)			(256,966)	(268,604)
Less commissions paid to units	(316,487)			(316,487)	(330,570)
Net product sales	<u>364,466</u>			<u>364,466</u>	<u>360,948</u>
Camping fees	405,281			405,281	478,742
Other activities	312,722			312,722	314,078
Rents	110,791			110,791	108,099
Participant insurance coverage	35,139			35,139	33,233
Other revenue	29,415	8,185		37,600	10,993
Investment income	3,151			3,151	3,093
Net realized investment gain	10,466			10,466	4,371
Net unrealized gain (loss) on investments			\$(11,404)	(11,404)	6,453
Total revenue	<u>1,271,431</u>	<u>8,185</u>	<u>(11,404)</u>	<u>1,268,212</u>	<u>1,320,010</u>
Net assets released from restrictions					
United Way	19,914			19,914	18,494
Prior year FOS pledge contributions	38,868			38,868	39,326
Capital fund contributions		2,190		2,190	25,000
Other contributions	7,255			7,255	
Appropriated investment income	<u>13,023</u>			<u>13,023</u>	<u>54,642</u>
Total net assets released from restrictions	<u>79,060</u>	<u>2,190</u>		<u>81,250</u>	<u>137,462</u>
Total revenues and support	<u>2,451,985</u>	<u>16,125</u>	<u>(11,404)</u>	<u>2,456,706</u>	<u>2,578,056</u>

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

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Statement of Activities

For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2015	2014
Expenses					
Program services	1,976,978	81,846		2,058,824	2,135,019
Supporting services					
Management and general	155,770	1,396		157,166	150,332
Fundraising	228,760	1,104		229,864	253,280
Total functional expenses	<u>2,361,508</u>	<u>84,346</u>		<u>2,445,854</u>	<u>2,538,631</u>
Payments to National Office	56,571			56,571	56,571
Loss on disposition of construction in progress (CIP)		532,894		532,894	
Total expenses	<u>2,418,079</u>	<u>617,240</u>		<u>3,035,319</u>	<u>2,595,202</u>
Increase (decrease) in unrestricted net assets	<u>33,906</u>	<u>(601,115)</u>	<u>(11,404)</u>	<u>(578,613)</u>	<u>(17,146)</u>
CHANGES IN TEMPORARY RESTRICTED NET ASSETS					
Investment income	3,971		209	4,180	4,724
Net realized investment gain	13,191		694	13,885	6,675
Net unrealized gain (loss) on investments			(15,129)	(15,129)	9,854
United Way	16,667			16,667	19,914
Friend of Scouting pledges – net	66,439			66,439	39,768
Other contributions receivable	7,868			7,868	7,255
Capital contributions					2,190
Net assets released from restrictions	<u>(79,060)</u>	<u>(2,190)</u>		<u>(81,250)</u>	<u>(137,462)</u>
Increase (decrease) in temporarily restricted net assets	<u>29,076</u>	<u>(2,190)</u>	<u>(14,226)</u>	<u>12,660</u>	<u>(47,082)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS					
Contributions			13,582	13,582	9,975
Increase in permanently restricted net assets			<u>13,582</u>	<u>13,582</u>	<u>9,975</u>
Increase (decrease) in net assets	62,982	(603,305)	(12,048)	(552,371)	(54,253)
Net assets (deficit), beginning of year	(350,283)	2,170,956	599,960	2,420,633	2,474,886
Transfers	2,194		(2,194)		
Net assets (deficit), end of year	<u>\$ (285,107)</u>	<u>\$1,567,651</u>	<u>\$585,718</u>	<u>\$1,868,262</u>	<u>\$2,420,633</u>

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Statement of Cash Flows

For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Operating Fund	Capital Fund	Endowment Fund	Total All Funds	
				2015	2014
Cash flows from operating activities					
Increase (decrease) in net assets	\$ 62,982	\$(603,305)	\$(12,048)	\$(552,371)	\$ (54,253)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities					
Depreciation expense		84,346		84,346	84,000
Loss on disposition of CIP		532,894		532,894	
Investment return, net	(30,779)		25,630	(5,149)	(35,170)
Contributions for long-term purposes		(5,750)	(13,582)	(19,332)	(14,570)
Transfers	7,413	10,880	(18,293)		
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	3,135			3,135	(5,006)
(Increase) decrease in pledges receivable (net)	(1,188)			(1,188)	(34,108)
(Increase) decrease in inventory	1,007			1,007	(1,912)
(Increase) decrease in prepaid expenses	(6,819)			(6,819)	(6,395)
Increase (decrease) in accounts payable	34,590			34,590	(145,121)
Increase (decrease) in accrued expenses	(1,222)		(25)	(1,247)	(6,806)
Increase (decrease) in custodial accounts	(52,286)			(52,286)	75,415
Increase (decrease) in deferred revenue	37,530			37,530	(6,465)
Net cash provided by (used in) operating activities	54,363	19,065	(18,318)	55,110	(150,391)
Cash flows from investing activities					
Withdrawals from investments			18,293	18,293	52,258
Investments purchased			(17,623)	(17,623)	
Payments for fixed assets additions		(27,005)		(27,005)	(27,406)
Net cash (used by) provided by investing activities		(27,005)	670	(26,335)	24,852
Cash flows from financing activities					
Contributions collected for long-term purposes		7,647	18,582	26,229	9,199
Principal payments - long-term debt	(28,635)			(28,635)	(27,586)
Net cash provided by (used in) financing activities	(28,635)	7,647	18,582	(2,406)	(18,387)
Net increase (decrease) in cash	25,728	(293)	934	26,369	(143,926)
Cash & cash equivalents, beginning of year	343,439	293	6,241	349,973	493,899
Cash & cash equivalents, end of year	\$369,167	\$	\$ 7,175	\$ 376,342	\$349,973
Other disclosures					
Interest paid				\$18,954	\$20,178

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

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Statement of Functional Expenses

For the Year Ended December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	Program Expenses	Supporting Expenses		Total Expenses	
		Management and General	Fund- Raising	2015	2014
Expenses					
Employee compensation					
Salaries	\$ 904,625	\$ 59,952	\$ 47,425	\$1,012,002	\$1,022,692
Benefits	140,337	10,684	8,452	159,473	162,608
Payroll taxes	97,315	5,681	4,494	107,490	124,954
Total employee compensation	1,142,277	76,317	60,371	1,278,965	1,310,254
Other expenses					
Professional fees	54,206	58,177	23,606	135,989	142,506
Supplies	256,386	750	6,251	263,387	308,051
Telephone	14,934	1,022	808	16,764	18,677
Postage and shipping	2,931	184	4,469	7,584	11,638
Occupancy	237,369	5,764	12,655	255,788	266,468
Rent and maintenance of equipment	19,145	335	265	19,745	29,919
Printing and publications	17,822	899	7,857	26,578	19,659
Travel	53,668	3,643	3,436	60,747	66,862
Local conferences and meetings	10,000	451	357	10,808	8,542
Specific asst. to individuals	23,651	43	34	23,728	20,467
Recognition awards	23,707	72	101,530	125,309	119,835
Interest expense	16,680	1,270	1,005	18,955	20,001
Insurance	72,977	4,470	3,536	80,983	70,557
Other	31,225	2,373	2,580	36,178	41,195
Total other expenses	834,701	79,453	168,389	1,082,543	1,144,377
Expenses before depreciation	1,976,978	155,770	228,760	2,361,508	2,454,631
Depreciation of buildings/equipment	81,846	1,396	1,104	84,346	84,000
Total functional expenses	\$2,058,824	\$157,166	\$229,864	\$2,445,854	\$2,538,631

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

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Notes to Financial Statements

1. Nature of Operations

The California Inland Empire Council, Boy Scouts of America (the Council) operates under a charter from the Boy Scouts of America and provides training for qualified persons to serve as unit leaders while supplying service to young men ages 7-21, and young women ages 14-21 in 1,098 scouting units in San Bernardino and Riverside counties in the state of California. The Council is a not-for-profit organization devoted to promoting, within the territory covered by the charter granted it by the Boy Scouts of America and in accordance with the congressional program of promoting the ability of boys and young men and women to do things for themselves and others, training them in scoutcraft and teaching them patriotism, courage, self-reliance, and to prepare them to make ethical choices over their lifetime and achieve their full potential using the methods which are now in common use by the Boy Scouts of America.

The Council maintains its office headquarters in Redlands, California, as well as a field office in Montclair, California. The Council has camping facilities in Running Springs and Idyllwild, California. Due to fire danger, the camp in Running Springs is not operational.

2. Significant Accounting Policies

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting policies to be used in the preparation of financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows:

Financial Statement Presentation

The assets, liabilities and net assets of the Council are reported in the following net asset groups:

Unrestricted net assets include resources that are not temporarily or permanently restricted by the donor and are available for operations of the Council without limitation.

Temporarily restricted net assets include those resources whose use is restricted by donor-imposed criteria that either expires with the passage of time or by actions of the Council.

Permanently restricted net assets result from donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by the Council's actions.

Basis of Accounting and Fund Accounting

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

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Notes to Financial Statements

2. Significant Accounting Policies (Continued)

Basis of Accounting and Method of Reporting (Continued)

To ensure observance of limitation 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 that are in accordance with specified activities or objectives.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Council has cash in a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times throughout the year, the Council may have cash balances which exceed the FDIC insurance limit. Management does not believe this concentration of cash results in a high level of risk for the Council.

Accounts Receivable

Accounts receivable are recorded primarily for product sales and Scout shop rentals. Receivables are recorded 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. No allowance was considered necessary as of December 31, 2015.

Inventory

Inventory consists of scouting and other items for resale and is stated at the averaged method. Inventory items are located at the summer camps and consist of recreational and camping items.

Endowment Fund

In accordance with FASB standards, the Council has determined it is subject to the Uniform Prudent Management of Institutional Funds Act of 2006, which requires the Council to classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets, unless stated otherwise in the gift instrument by the donor. Earnings from these gift instruments are donor-restricted assets until appropriated for expenditure by the Council.

Investments

BSA Commingled Endowment Fund LP (BSA Fund): Investments held by the BSA Fund are valued at fair value based on the closing price for securities shares listed on a securities exchange, the closing bid or ask price for over the counter securities not listed on a securities exchange, or at cost or obtained from an independent pricing service for securities not listed or traded on any exchange or on the over the counter market. The custodian of the investments in the BSA Fund also has the ability to determine the fair value of securities not listed or traded on any exchange or on the over the counter market based on available information. The BSA Fund is valued at the number of units held by the Council and the Fund's unit value.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. 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 Statement of Financial Position.

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Notes to Financial Statements

2. Significant Accounting Policies (Continued)

Investments (continued)

Investment Policy

The principal objectives of the Council's investment program shall be:

- Moderate Risk
- Generation of income to fulfill charitable purposes of the Council
- Growth of asset value at a rate greater than inflation (as measured by the consumer price index)
- Provide market (S&P 500) equivalent income

Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon, and diversification among assets. The funds will be invested to maximize total return (capital appreciation, interest, and dividend income) consistent with a prudent level of risk.

Spending Policy

The endowment spending policy of the Council is to make available for operations ninety-five percent of investment earnings, not including change in value. Five percent of investment earnings are to be reinvested back into endowment to allow the investments to cover inflation.

Land, Buildings and Equipment

The Council capitalizes fixed asset acquisitions in excess of \$2,500. Land, buildings and equipment are stated at cost, or in the case of contributions, at fair value at date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets which range from 3 to 40 years.

Compensated Absences

A liability has been accrued for all employees' vacation time, which has been earned but not paid. Any unused vacation will be paid at the current rate of pay upon termination of employment.

Donated Services

In accordance with generally accepted accounting principles, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria were not met. It is impracticable to determine the fair value of all donated services by the volunteers of the Council beyond those required to be recognized as income.

Contributions

Pledges are recorded as pledges receivable, and allowances are provided for amounts estimated to be uncollectible. Pledges are considered to be income in the year the pledge is made. Pledges are classified as unrestricted, temporarily restricted, or permanently restricted, based on donor intent. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated materials and property are recorded at fair value at the date of the gift when there is an objective basis available to measure their value.

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Notes to Financial Statements

2. Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management estimates.

Comparative Information

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Council's financial position and operations. However, such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Income Taxes

The Council is a tax-exempt organization under Internal Revenue Code 501(c)(3). As a non-profit organization, the Council is subject to federal and state income tax on any unrelated business taxable income. However, the Council has not conducted any activities in the current year which would be classified as 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. Federal returns for the years ended 2012 and thereafter remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain reclassifications have been made to the 2014 summarized financial statement information to conform to the current year presentation.

3. Land, Buildings and Equipment

Land, buildings and equipment are comprised of the following at:

	December 31,	
	2015	2014
Land	\$ 345,692	\$ 345,692
Land improvements	1,798,377	1,798,377
Buildings and improvements	1,230,705	1,230,705
Furniture and equipment	332,017	308,147
Camping equipment	158,777	155,642
Vehicles	81,219	81,219
Construction in progress		532,894
Total	3,946,787	4,452,676
Less: accumulated depreciation	2,368,256	2,283,910
Net land, buildings and equipment	\$1,578,531	\$2,168,766

**CALIFORNIA INLAND EMPIRE COUNCIL
BOY SCOUTS OF AMERICA**

Notes to Financial Statements

3. Land, Buildings and Equipment (Continued)

Construction in Progress

The Council had the following construction in progress at both of its camps at December 31, 2014: Camp Boseker construction in progress of \$122,959 consisting of preliminary costs related to the development of a master plan to facilitate future construction projects and Camp Helendade construction in progress of \$409,935 consisting of costs incurred to replace a building and water system. During the year ended December 31, 2015, the board of directors determined that these projects were not going to be completed due to lack of funds, and therefore, the balances were deemed worthless and written off.

4. Investments

Investments are summarized as follows at:

	December 31,		December 31,	
	2015		2014	
	Cost	Fair Value	Cost	Fair Value
BSA Commingled Endowment Fund LP	\$605,339	\$611,516	\$574,326	\$607,037

Investment return on marketable securities consisted of the following:

	December 31,	
	2015	2014
Investment income	\$ 9,721	\$10,043
Net realized investment gain	24,351	11,046
Net unrealized gain (loss) on investments	(26,533)	16,307
Investment fees	(2,390)	(2,226)
	\$ 5,149	\$35,170

5. Bank Loan Payable

In October 2014, The Council converted its expired three year fixed note loan to a fifteen year variable interest rate secured loan. For the first five years of the loan the interest rate is set at 4.25%. The note dated October 3, 2014, requires 179 monthly payments of \$3,966 and one payment of the remaining balance on October 3, 2027. The interest rate for the remaining ten years is subject to the Bank reference index rate plus 3%. However, 4.25% is the minimum rate to be charged on the loan. The loan is secured by a mortgage of the Council's real property in Redlands, California with a net carrying value of \$207,672 at December 31 2015. Principal payments for the year ending December 31 are as follows:

2016	\$ 30,820
2017	31,262
2018	30,343
2019	31,658
2020	33,030
Thereafter	267,417
Total	424,530
Current portion	(30,820)
	\$393,710

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6. Net Assets

Temporarily restricted net assets consist of the following items at:

	December 31,	
	2015	2014
Endowment income	\$ 26,638	\$ 36,726
United Way allocations to be received	16,667	19,914
Friends of Scouting/other pledges	67,339	45,071
Woodbadge BSA scholarship fund	2,778	1,952
Explorer Clubs	5,000	
International scouting	90	
Unspent capital contributions		2,190
Total temporarily restricted net assets	<u>\$118,512</u>	<u>\$105,853</u>

7. Endowment Fund

Changes in the endowment net assets for the year ended December 31, 2015 and 2014 are as follows:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2013	\$246,981	\$ 70,115	\$310,679	\$627,775
Investment income	3,093	4,724		7,817
Net realized investment gain	4,371	6,675		11,046
Net unrealized gain on investments	6,453	9,854		16,307
Contributions			9,975	9,975
Accrued expense	(25)			(25)
Appropriation of endowment assets for expenditure	(7,464)	(65,471)		(72,935)
Net assets, December 31, 2014	<u>253,409</u>	<u>25,897</u>	320,654	599,960
Investment income	3,151	4,180		7,331
Net realized investment gain	10,466	13,885		24,351
Net unrealized loss on investment	(11,404)	(15,129)		(26,533)
Contributions			13,582	13,582
Appropriation of endowment assets for expenditure	(13,616)	(19,357)		(32,973)
Net assets, December 31, 2015	<u>\$242,006</u>	<u>\$ 9,476</u>	\$334,236	<u>\$585,718</u>

8. Retirement Plan

The National Council has a qualified defined benefit multi-employer retirement plan (the "Plan") administered at the National Office that covers eligible employees of the National Council and local councils, including the California Inland Empire Council. The Plan name is the "Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees". The Plan covers all employees who have completed one year of service and who have agreed to make contributions. Eligible employees contribute 2 percent of compensation, and the Council contributes an additional 7 percent to the plan. Pension expense (excluding the contributions made by employees) was approximately \$49,711 and \$51,773 in 2015 and 2014, and covered current service cost. The actuarial information for the plan as of February 1, 2015 indicates that it is in compliance with ERISA regulations regarding funding.

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9. Operating Leases

Beginning July 1, 2012, the Council entered into a lease for real property in Montclair, California. The lease was for 38 months and required monthly payments beginning at \$3,732. Starting July 1, 2013, the rent was adjusted to \$3,845 per month for twelve months. From July 1, 2014 to August 31, 2015, the rent was \$3,960 per month. The lease was amended in May 2015 to extend it for an additional 12 months ending August 31, 2016. From September 1, 2015 to August 31, 2016 the rent is \$4,158 per month.

The Council leases a vehicle for use by the CEO. The lease began in February of 2014. The lease is for 36 months and requires monthly payments of \$464. The Council also leases Konica Minolta copying equipment. This lease began in January of 2012 and runs for 60 months. Base payments are \$509 per month. Total lease expenses for 2015 were approximately \$60,200.

The minimum lease commitments at December 31, 2015 are as follows:

2016	\$44,940
2017	<u>6,572</u>
	<u>\$51,512</u>

10. Summary of Fair Value Exposure

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Council's own assumptions in determining the fair value of investments).

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

The following table provides fair value measurement information for the investments held at BSA Commingled Endowment Fund LP measured at fair value on a recurring basis as of:

	Level 1	Level 2	Level 3
December 31, 2015		\$611,516	
December 31, 2014		\$607,037	

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11. Scout Shops

The National Council operates two Scout shops within the California Inland Empire Council. The National Council manages the Scout shops and pays the Council a commission on sales in lieu of rent. The total earned by the Council in 2015 and 2014 amounted to \$110,791 and \$108,099.

12. Subsequent Events

Management has evaluated events occurring between December 31, 2015 and May 19, 2016, which is the date the financial statements were available to be issued for the possible effects on these financial statements.