

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Audited Financial Statements

December 31, 2021

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Table of Contents

	<u>Page</u>
Audited Financial Statements:	
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	7
Statement of Functional Expenses	8
Notes to the Financial Statements	9

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Los Padres Council, Boy Scouts of America

Opinion

We have audited the accompanying consolidating financial statements of Los Padres Council, Boy Scouts of America (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Los Padres Council, Boy Scouts of America (Council) as of December 31, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Council 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 the Council's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Los Padres Council, 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 the Council'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.

Report on Summarized Comparative Information

We have previously audited the consolidating financial statements of the Los Padres Council, Boy Scouts of America as of and for the year ended December 31, 2020 and our report dated September 16, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent in all material respects, with the audited financial statements from which it has been derived.

Moss, Remy & Haugheim LLP

Santa Maria, California
November 16, 2022

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Statement of Financial Position

December 31, 2021 (with comparative totals for 2020)

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets								
Current assets:								
Cash and cash equivalents	\$ 425,883	\$ 342,211	\$ 380,372	\$ 507,149	\$ 6,000	\$ 6,001	\$ 812,255	\$ 855,361
Accounts receivable	3,964	-	-	-	66,358	-	70,322	-
Contributions receivable -current -net	72,965	1,600	57,208	123,078	1,000	-	131,173	124,678
Inventory -net	79,736	74,157	-	-	-	-	79,736	74,157
Interfund loans	59,951	36,100	(59,951)	(36,100)	-	-	-	-
Prepaid expenses and other assets	33,711	9,969	27,906	27,148	-	-	61,617	37,117
Total current assets	<u>676,210</u>	<u>464,037</u>	<u>405,535</u>	<u>621,275</u>	<u>73,358</u>	<u>6,001</u>	<u>1,155,103</u>	<u>1,091,313</u>
Noncurrent assets:								
Investments	15,253	2,668	-	9,972	4,200,444	4,767,320	4,215,697	4,779,960
Contributions receivable -long-term	-	6,000	85,941	96,193	-	-	85,941	102,193
Interfund loan noncurrent	(45,170)	(133,657)	-	-	45,170	133,657	-	-
Land, buildings, and equipment	-	-	13,802,882	12,635,215	-	-	13,802,882	12,635,215
Less: accumulated depreciation	-	-	(332,137)	(318,547)	-	-	(332,137)	(318,547)
Net noncurrent assets	<u>(29,917)</u>	<u>(124,989)</u>	<u>13,556,686</u>	<u>12,422,833</u>	<u>4,245,614</u>	<u>4,900,977</u>	<u>17,772,383</u>	<u>17,198,821</u>
Total assets	<u>\$ 646,293</u>	<u>\$ 339,048</u>	<u>\$ 13,962,221</u>	<u>\$ 13,044,108</u>	<u>\$ 4,318,972</u>	<u>\$ 4,906,978</u>	<u>\$ 18,927,486</u>	<u>\$ 18,290,134</u>
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 104,363	\$ 40,356	\$ 49,723	\$ 66,701	\$ -	\$ -	\$ 154,086	\$ 107,057
Custodial funds	104,825	75,046	-	-	-	-	104,825	75,046
Legal settlement liability	-	-	1,500,000	1,200,000	334,155	634,155	1,834,155	1,834,155
Current portion of long-term debt	-	162,822	-	250,000	-	-	-	412,822
Total current liabilities	<u>209,188</u>	<u>278,224</u>	<u>1,549,723</u>	<u>1,516,701</u>	<u>334,155</u>	<u>634,155</u>	<u>2,093,066</u>	<u>2,429,080</u>
Total liabilities	<u>209,188</u>	<u>278,224</u>	<u>1,549,723</u>	<u>1,516,701</u>	<u>334,155</u>	<u>634,155</u>	<u>2,093,066</u>	<u>2,429,080</u>
Net assets:								
Without donor restrictions	323,870	(38,111)	9,092,339	8,572,638	489,105	1,129,152	9,905,314	9,663,679
With donor restrictions	113,235	98,935	3,320,159	2,954,769	3,495,712	3,143,671	6,929,106	6,197,375
Total net assets	<u>437,105</u>	<u>60,824</u>	<u>12,412,498</u>	<u>11,527,407</u>	<u>3,984,817</u>	<u>4,272,823</u>	<u>16,834,420</u>	<u>15,861,054</u>
Total liabilities and net assets	<u>\$ 646,293</u>	<u>\$ 339,048</u>	<u>\$ 13,962,221</u>	<u>\$ 13,044,108</u>	<u>\$ 4,318,972</u>	<u>\$ 4,906,978</u>	<u>\$ 18,927,486</u>	<u>\$ 18,290,134</u>

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021 (with comparative totals for 2020)

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Changes in net assets without donor restrictions:								
Support and revenue:								
Direct support:								
Friends of Scouting	\$ 208,163	\$ 196,574	\$ -	\$ -	\$ -	\$ -	\$ 208,163	\$ 196,574
Capital campaign	-	-	-	-	-	-	-	-
Special events	85,683	77,183	-	-	-	-	85,683	77,183
Less cost of direct benefits	(11,806)	(1,540)	-	-	-	-	(11,806)	(1,540)
Net special events	73,877	75,643	-	-	-	-	73,877	75,643
Legacies and bequests	240	1,150	-	-	-	-	240	1,150
Foundations and trusts	57,432	58,381	-	-	-	-	57,432	58,381
Other direct support	253	-	-	-	-	-	253	-
Total direct support	339,965	331,748	-	-	-	-	339,965	331,748
Indirect support:								
Employee giving campaigns	775	1,347	-	-	-	-	775	1,347
Total indirect support	775	1,347	-	-	-	-	775	1,347
Total support	340,740	333,095	-	-	-	-	340,740	333,095
Revenue:								
Sales of supplies	50,190	40,891	-	-	-	-	50,190	40,891
Less cost of good sold	(28,206)	(38,497)	-	-	-	-	(28,206)	(38,497)
Net sales of supplies	21,984	2,394	-	-	-	-	21,984	2,394
Product sales	134,090	70,357	-	-	-	-	134,090	70,357
Less cost of goods sold	(41,132)	(21,064)	-	-	-	-	(41,132)	(21,064)
Less commissions paid to units	(53,906)	(30,783)	-	-	-	-	(53,906)	(30,783)
Net product sales	39,052	18,510	-	-	-	-	39,052	18,510

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Statement of Activities and Changes in Net Assets (Continued)

Year Ended December 31, 2021 (with comparative totals for 2020)

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Changes in net assets without donor restrictions (continued):								
Investment income, net of fees	\$ 266,250	\$ 1,268	\$ (422)	\$ 1,311	\$ -	\$ -	\$ 265,828	\$ 2,579
Camping revenue	9,079	3,675	-	-	-	-	9,079	3,675
Activities revenue	1,603	8,627	(100)	-	-	-	1,503	8,627
Other revenue	492,775	106,656	22,825	77,883	-	-	515,600	184,539
Total revenue	830,743	141,130	22,303	79,194	-	-	853,046	220,324
Temporarily restricted net assets released from restrictions	6,000	1,330	231,049	246,439	-	-	237,049	247,769
Total support and revenue	1,177,483	475,555	253,352	325,633	-	-	1,430,835	801,188
Expenses:								
Program services	549,574	502,131	439,091	548,046	-	-	988,665	1,050,177
Support services:								
Fundraising	103,881	178,007	-	-	-	-	103,881	178,007
Management and general	127,056	252,707	-	-	-	-	127,056	252,707
Total support services	230,937	430,714	-	-	-	-	230,937	430,714
Total functional expenses	780,511	932,845	439,091	548,046	-	-	1,219,602	1,480,891
Charter and national service fee	21,991	24,650	-	-	-	-	21,991	24,650
Total expenses	802,502	957,495	439,091	548,046	-	-	1,241,593	1,505,541
Special items								
Legal settlement expense	-	-	-	1,200,000	-	634,155	-	1,834,155
Changes in net assets without donor restrictions	374,981	(481,940)	(185,739)	(1,422,413)	-	(634,155)	189,242	(2,538,508)

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Statement of Activities and Changes in Net Assets (Concluded)

Year Ended December 31, 2021 (with comparative totals for 2020)

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Changes in net assets with donor restrictions:								
Support and revenue:								
Direct support:								
Friends of Scouting	\$ 20,300	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ 20,300	\$ 6,000
Capital campaign	-	-	596,439	932,402	-	-	596,439	932,402
Legacies and bequests	-	-	-	-	-	-	-	-
Foundations and trusts	-	-	-	-	-	-	-	-
Other direct support	-	-	-	-	5,000	-	5,000	-
Total direct support	20,300	6,000	596,439	932,402	5,000	-	621,739	938,402
Indirect support:								
United Way	-	-	-	-	-	-	-	-
Total indirect support	-	-	-	-	-	-	-	-
Investment income, net of fees	-	-	-	-	347,041	179,232	347,041	179,232
Net assets released from restrictions	(6,000)	(1,330)	(231,049)	(246,439)	-	-	(237,049)	(247,769)
Total support and revenue	14,300	4,670	365,390	685,963	352,041	179,232	731,731	869,865
Changes in net assets with donor restrictions	14,300	4,670	365,390	685,963	352,041	179,232	731,731	869,865
Changes in total net assets	389,281	(477,270)	179,651	(736,450)	352,041	(454,923)	920,973	(1,668,643)
Net assets at beginning of year:								
Without donor restrictions	(38,111)	176,745	8,572,638	9,978,851	1,129,152	2,046,591	9,663,679	12,202,187
With donor restrictions	98,935	94,265	2,954,769	2,268,806	3,143,671	2,964,439	6,197,375	5,327,510
Total net assets, beginning of year	60,824	271,010	11,527,407	12,247,657	4,272,823	5,011,030	15,861,054	17,529,697
Prior period adjustment	-	-	(247,607)	-	300,000	-	52,393	-
Net assets at beginning of year (restated):								
Without donor restrictions	(38,111)	176,745	8,325,031	9,978,851	1,429,152	2,046,591	9,716,072	12,202,187
With donor restrictions	98,935	94,265	2,954,769	2,268,806	3,143,671	2,964,439	6,197,375	5,327,510
Total net assets, beginning of year (restated)	60,824	271,010	11,279,800	12,247,657	4,572,823	5,011,030	15,913,447	17,529,697
Board authorized transfers	(13,000)	267,084	953,047	16,200	(940,047)	(283,284)	-	-
Net assets at end of year:								
Without donor restrictions	323,870	(38,111)	9,092,339	8,572,638	489,105	1,129,152	9,905,314	9,663,679
With donor restrictions	113,235	98,935	3,320,159	2,954,769	3,495,712	3,143,671	6,929,106	6,197,375
Total net assets, end of year	\$ 437,105	\$ 60,824	\$ 12,412,498	\$ 11,527,407	\$ 3,984,817	\$ 4,272,823	\$ 16,834,420	\$ 15,861,054

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA
Statement of Cash Flows
Year Ended December 31, 2021 (with comparative totals for 2020)

	Operating Fund		Capital Fund		Endowment Fund		Total of All Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash flows from operating activities:								
Change in total net assets	\$ 389,281	\$ (477,270)	\$ 179,651	\$ (736,450)	\$ 352,041	\$ (454,923)	\$ 920,973	\$ (1,668,643)
Adjustments to reconcile change in total net assets to net cash provided (used) by operating activities:								
Depreciation	-	-	13,590	17,689	-	-	13,590	17,689
PPP loan forgiveness	(325,644)	-	-	-	-	-	(325,644)	-
Net realized and unrealized (gains) losses on sale of investments and fixed assets	-	5,456	-	50,833	(526,539)	(140,452)	(526,539)	(84,163)
Legal settlement accrued by not yet paid	-	-	-	1,200,000	-	634,155	-	1,834,155
Transfers	(13,000)	267,084	953,047	16,200	(940,047)	(283,284)	-	-
Contributions restricted for long-term purposes	6,000	(5,070)	10,252	(46,193)	-	-	16,252	(51,263)
Change in operating assets and liabilities:								
Accounts and notes receivable	(3,964)	6,042	-	4,000	(66,358)	-	(70,322)	10,042
Contributions receivable	(65,365)	22,105	76,122	27,168	(1,000)	-	9,757	49,273
Inventory	(5,579)	16,165	-	-	-	-	(5,579)	16,165
Prepaid expenses and other assets	(23,742)	(5,261)	(758)	51,560	-	-	(24,500)	46,299
Accounts payable and accrued expenses	64,007	(84,509)	(16,978)	(864,363)	-	-	47,029	(948,872)
Custodian funds	29,779	(45,963)	-	-	-	-	29,779	(45,963)
Net cash provided (used) by operating activities	<u>51,773</u>	<u>(301,221)</u>	<u>1,214,926</u>	<u>(279,556)</u>	<u>(1,181,903)</u>	<u>(244,504)</u>	<u>84,796</u>	<u>(825,281)</u>
Cash flows from investing activities:								
Purchase of property and equipment	-	-	(1,081,484)	(4,940,772)	-	-	(1,081,484)	(4,940,772)
Insurance proceeds for property and equipment	-	-	(22,825)	(77,883)	-	-	(22,825)	(77,883)
Proceeds from sale of property and equipment	-	-	-	90,192	-	-	-	90,192
Purchase of investments and reinvested interest and dividends	(12,585)	-	-	(9,920)	(758,795)	(3,924,965)	(771,380)	(3,934,885)
Proceeds from sale of investments	-	-	-	-	1,852,210	4,122,492	1,852,210	4,122,492
Net cash provided (used) by investing activities	<u>(12,585)</u>	<u>-</u>	<u>(1,104,309)</u>	<u>(4,938,383)</u>	<u>1,093,415</u>	<u>197,527</u>	<u>(23,479)</u>	<u>(4,740,856)</u>
Cash flows from financing activities:								
Loan proceeds	162,822	162,822	-	248,943	-	-	162,822	411,765
Contributions restricted for long-term purpose	(6,000)	5,070	(10,252)	46,193	-	-	(16,252)	51,263
Interfund loans	(112,338)	47,847	23,851	(94,825)	88,487	46,978	-	-
Payments of debt	-	-	(250,993)	(11,278)	-	-	(250,993)	(11,278)
Net cash provided (used) by financing activities	<u>44,484</u>	<u>215,739</u>	<u>(237,394)</u>	<u>189,033</u>	<u>88,487</u>	<u>46,978</u>	<u>(104,423)</u>	<u>451,750</u>
Net increase (decrease) in cash and cash equivalents	83,672	(85,482)	(126,777)	(5,028,906)	(1)	1	(43,106)	(5,114,387)
Cash and cash equivalents:								
Beginning of year	342,211	427,693	507,149	5,536,055	6,001	6,000	855,361	5,969,748
End of this period	<u>\$ 425,883</u>	<u>\$ 342,211</u>	<u>\$ 380,372</u>	<u>\$ 507,149</u>	<u>\$ 6,000</u>	<u>\$ 6,001</u>	<u>\$ 812,255</u>	<u>\$ 855,361</u>

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Statement of Functional Expenses

Year Ended December 31, 2021 (with comparative totals for 2020)

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management & General	Fundraising		2021	2020
Employee compensation:						
Salaries	\$ 477,364	\$ 38,415	\$ 43,486	\$ 81,901	\$ 559,265	\$ 673,652
Employee benefits	86,520	7,732	8,753	16,485	103,005	103,973
Payroll taxes and compensation insurance	36,276	3,843	4,351	8,194	44,470	78,837
Total employee compensation	600,160	49,990	56,590	106,580	706,740	856,462
Other expenses:						
Occupancy	82,182	3,314	3,751	7,065	89,247	123,001
Supplies	14,656	255	2,450	2,705	17,361	15,961
Travel	11,875	1,327	1,560	2,887	14,762	24,298
Other	20,826	2,440	2,812	5,252	26,078	44,157
Professional fees	92,478	65,757	10,946	76,703	169,181	185,231
Insurance	118,778	652	738	1,390	120,168	135,500
Telephone and communications	8,022	876	991	1,867	9,889	11,767
Recognition and awards	5,703	46	7,346	7,392	13,095	5,965
Rental and maintenance of equipment	17,271	825	2,764	3,589	20,860	21,975
Conferences and meetings	559	33	38	71	630	1,962
Specific assistance to individuals	48	-	-	-	48	-
Publications and media	1,734	136	10,797	10,933	12,667	18,825
Postage and shipping	2,244	254	1,795	2,049	4,293	6,820
Interest	778	101	114	215	993	11,278
Total other expenses	377,154	76,016	46,102	122,118	499,272	606,740
Expenses before depreciation	977,314	126,006	102,692	228,698	1,206,012	1,463,202
Depreciation expense	11,351	1,050	1,189	2,239	13,590	17,689
Total functional expenses 2021	<u>\$ 988,665</u>	<u>\$ 127,056</u>	<u>\$ 103,881</u>	<u>\$ 230,937</u>	<u>\$ 1,219,602</u>	
Functional expense percentage 2021	81%	10%	9%	19%	100%	
Total functional expenses 2020	<u>\$ 1,050,177</u>	<u>\$ 252,707</u>	<u>\$ 178,007</u>	<u>\$ 430,714</u>		<u>\$ 1,480,891</u>
Functional expense percentage 2020	71%	17%	12%	29%		100%

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

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

Los Padres Council, Boy Scouts of America ("Los Padres Council") is a nonprofit organization and a local chapter of the Boy Scouts of America. The Los Padres Council, Boy Scouts of America also maintains control of a trust fund, the Boy Scouts of America Los Padres Council Trust ("Trust"), with a corporate trustee, which was established for the benefit of the Council. The balances and activities of the Trust are included in the consolidating financial statements. The Los Padres Council operates in Santa Barbara, California, including the counties of Santa Barbara and San Luis Obispo. The Los Padres Council has one camping facility located within its service area. The Los Padres Council and Trust, are not-for-profit organizations devoted to promoting, within the territory covered by the charter from time to time granted it by the Boy Scouts of America and in accordance with the Congressional Charter, Bylaws, and Rules and Regulations of the Boy Scouts of America, the Scouting program of promoting the ability of young men and women to do things for themselves and others, training them in Scoutcraft, and teaching them patriotism, courage, self-reliance, and kindred virtues, using the methods which are now in common use by the Boy Scouts of America.

Principles of Consolidation

The Los Padres Council has voting control over and an economic interest in the Trust Fund, which results in the accounts of the Trust being consolidated with those of the Los Padres Council in the accompanying consolidating financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Los Padres Council and the Trust Fund are hereinafter collectively referred to as the "Council".

Prior Year Summarized Comparative Information

The consolidating financial statements and certain notes include certain prior year summarized comparative information in total, but not by fund balance. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Council's consolidating financial statements as of and for the year ended December 31, 2020, from which the summarized comparative information was derived.

Fund Accounting

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 that are in accordance with specified activities or objectives. The accounts of the Council are maintained in three self-balancing fund groups according to their nature and purposes as follows:

General Operating Fund – The general operating fund is used to account for the Council's operating activities.

Capital Fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payments. Also, included in this fund are investments either restricted or designated for capital repair and improvements where the income is either designated or restricted for those particular items. Revenues and expenses related to the capital fundraising campaign are also included in this fund.

Endowment Fund – The endowment fund is normally used to account for amounts of gifts and bequests accepted with legal restrictions based on donor stipulation that the principal be maintained intact in perpetuity, until the occurrence of a specified event or for a specified period, and that only income from the investment thereof be expended either for general purposes or for purposes specified by the donor. Investment funds with and without donor restrictions are also included in the endowment fund. Certain donor-restricted net assets have been restricted by donors to be maintained by the Council in perpetuity.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidating financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less. Cash held for investment purposes is not considered to be cash and cash equivalents for the statement of cash flows.

Accounts Receivable

Accounts receivable are recorded primarily for product sales, outdoor school receivables, bequests, and other receivables earned but not received at year end and 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. No allowance for doubtful accounts was considered necessary as of December 31, 2021 and 2020.

Contributions Receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2021 and 2020, contributions receivable were net of an allowance for uncollectible pledges of \$5,500 and \$3,966, respectively.

Interfund Loans

The Council records interfund loans on a single line in the asset section of the statement of financial position, and classifies them as current or long-term based on the intended repayment date of the loan. The total of all three interfund loan accounts must be zero in the totals column of the statement of financial position.

Inventories

Inventories, which consist primarily of Scouting supplies, are stated at the lower of average cost or market value.

Land, Buildings, and Equipment and Related Depreciation

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to operations when incurred. Betterments and renewals of \$1,000 or more are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the change in net assets. Property and equipment (except for land) are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3-50 years.

Donations of property and equipment are recorded as contributions at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose based on its fair value. Assets donated with explicit restrictions regarding their use, absent donor stipulations regarding how long those donated assets must be maintained, are recorded as net assets with donor restrictions. The Council reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Council reclassifies net assets with donor restrictions that are temporary in nature to net assets without donor restrictions at that time.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Construction in Progress

Construction in progress is stated at original cost and consists primarily of costs incurred in the rebuilding of Camp Rancho Alegre. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

Investments and Endowment Policy

Investments are stated at estimated fair value. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift. Investments are classified based on their original maturities.

Custodial Accounts

Custodial accounts represent amounts held by the Council as custodian for registration fees for member units, amounts on deposit for affiliated Scouting associations for their future use, and amounts on deposit by member units for purchases of uniforms and supplies. These funds are recorded as a liability on the statements of financial position as the Council does not have control over the use of these funds.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for current support of Council activities and not subject to donor restrictions. These net assets may be used at the discretion of the Council's management and Board of Trustees. Designations by the Board of Trustees are included in net assets without donor restrictions.

Net Assets With Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The expiration of a temporary restriction is reported in the Statement of Activities and Changes in Net Assets as evidenced by amounts transferred or released. Contributions are reported as unrestricted support if the restriction expires in the fiscal year in which the contributions are recognized.

Revenue Recognition

Camping and activity revenue is recognized in the period in which the service is provided. Funds received in advance of providing these services are recorded as deferred income until the services are provided.

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. 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 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 consolidating statement of activities and changes in net assets. Other revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Donated Materials 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 in the net assets without donor restrictions category, 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 in the net assets with donor restrictions category. Per FASB ASU 2016-14 and 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.

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. Some members of the Council have donated significant amounts of time to the Council in furthering its programs and objectives. However, no amounts have been included in the consolidating financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on the consolidating statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel, including the Scout executive's, accounting, information technology personnel, and payroll taxes. 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 are 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 consolidating financial statements report expenses by function in the Consolidated Statement of Functional Expenses.

Advertising Costs

Advertising costs are expensed when incurred.

Income Taxes

The Council and related Trust are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code 23701d and are exempt from federal and state income taxes. The Council and Trust are subject to federal income tax on any unrelated business taxable income. The Council and Trust perform an evaluation for uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. No uncertain tax positions were identified as of December 31, 2021 and 2020.

The Council's policy is to classify income tax penalties and interest as interest expense in its financial statements. During the years ended December 31, 2021 and 2020, respectively, the Council incurred no penalties and interest. The Council's and trust fund's Federal Return of Organizations Exempt from Income Tax (Forms 990) for 2018, 2019, and 2020 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the Council's 2021 return has been filed.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurement

The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the “exit price”) in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Council uses various valuation approaches. The FASB established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Council. Unobservable inputs are inputs that reflect the Council's assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Council has access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of asset or liability, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Council in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an organization-specific measure. Therefore, even when market assumptions are not readily available, the Council's own assumptions are set to reflect those that the Council believes market participants would use in pricing the asset or liability at the measurement date.

Recently Issued Accounting Standards

The following accounting pronouncements were recently issued by the FASB:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) and has subsequently issued a number of amendments to ASU 2016-02. This ASU provides accounting guidance for both lessee and lessor accounting models. Among other things, lessees will recognize a right of-use asset and a lease liability for leases

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)**Recently Issued Accounting Standards (Continued)**

with a duration of greater than one year. Leases will be classified as either finance leases or operating leases. Operating leases will result in a straight-line expense while finance leases will result in a front-loaded expense pattern. The FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which deferred the effective date for these standards. The provisions of Topic 842 are now effective for annual reporting periods beginning after December 15, 2021. Early adoption is permitted. The Council is currently evaluating the full effect that the adoption of this standard will have on the consolidating financial statements.

Note 2 - Cash

Cash as of December 31, 2021 and 2020 consisted of the following:

Account:	2021	2020
Mechanics Bank operating checking	\$ 427,231	\$ 340,125
Mechanics Bank capital checking	377,021	496,707
National Trust capital checking	7,803	18,129
Petty cash and change drawers	200	400
Total cash	<u>\$ 812,255</u>	<u>\$ 855,361</u>

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Scouts council deposit its cash with high quality financial institutions, and management believes that it is not exposed to significant credit risk on those amounts.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020 are:

Financial Assets:	2021	2020
Cash on hand and in banks	\$ 812,255	\$ 855,361
Accounts receivable	70,322	-
Contributions receivable	217,114	226,871
Investments	15,253	12,640
Endowment investment	4,200,444	4,767,320
Total financial assets	<u>5,315,388</u>	<u>5,862,192</u>
Less: long-term contributions receivable	(85,941)	(102,193)
Less: donor restricted endowment investment	(3,495,712)	(3,143,671)
Amounts available for expenditure within one year	<u>\$ 1,733,735</u>	<u>\$ 2,616,328</u>

The table above reflects the funds permanently restricted by the donors of endowment assets as unavailable because they are not available to spend. Note 9 provides more information on the endowment investment. As part of the Organization'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.

Note 4 - Contributions Receivable

Contributions receivable consist of the following as of December 31, 2021 and 2020:

	2021	2020
Friends of Scouting	\$ 72,965	\$ 7,600
Restricted to capital campaign	144,149	219,271
Total	<u>\$ 217,114</u>	<u>\$ 226,871</u>
Due in 1 year or less	\$ 131,173	\$ 124,678
Due between 1 and 10 years	\$ 85,941	\$ 102,193

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 5 - Fixed Assets

Fixed assets activity for the year ended December 31, 2021, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 163,532	\$ -	\$ -	\$ 163,532
Land improvements	20,060	-	-	20,060
Buildings and leasehold improvements	601,693	-	-	601,693
Furniture, fixtures, and equipment	122,180	-	-	122,180
Vehicles and vessels	39,875	-	-	39,875
Construction in progress	11,687,875	1,167,667	-	12,855,542
Fixed assets at cost	12,635,215	1,167,667	-	13,802,882
Less: Accumulated depreciation	(318,547)	(13,590)	-	(332,137)
Net fixed assets	<u>\$ 12,316,668</u>	<u>\$ 1,154,077</u>	<u>\$ -</u>	<u>\$ 13,470,745</u>

As of December 31, 2021 and 2020, construction in progress consisted primarily of the Rancho Alegre rebuilding effort. These projects are still ongoing and the costs are being funded through insurance proceeds and donor contributions.

Note 6 - Investments

Investments consisted of the following listed at fair values at December 31, 2021 and 2020:

	2021	2020
Investments:		
Equity securities	\$ 2,857,651	\$ 3,337,022
Fixed income securities	1,052,294	1,263,775
Real estate securities	108,956	104,194
Cash and short term investments	196,796	74,969
Total investments	<u>\$ 4,215,697</u>	<u>\$ 4,779,960</u>

As discussed in note 1 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments at December 31, 2021 and 2020. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment. As of December 31, 2021 and 2020, all of the investments are level 1 investments with fair market values of \$4,215,697 and \$4,779,960 respectively.

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

The following schedule summarizes the investment return in the consolidating Statement of Activities and Changes in Net Assets for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 121,189	\$ 153,425
Realized and unrealized gain (loss), net	491,680	28,386
Total investments	<u>\$ 612,869</u>	<u>\$ 181,811</u>

The above investment return is classified in the 2021 and 2020 Consolidating Statement of Activities and Changes in Net Assets as follows:

	2021	2020
Within net assets with donor restrictions	\$ 347,041	\$ 179,232
Within net assets without donor restrictions	265,828	2,579
Total investments	<u>\$ 612,869</u>	<u>\$ 181,811</u>

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 6 - Investments (continued)

Income from interest and dividends on investments and realized and unrealized gains and losses on the sales of investments ("investment income, gains, and losses") are recorded initially in the Endowment Fund. Distributions of investment income and net realized gains from the Endowment Fund are recorded as income by the Operating and Capital funds in the period in which the distributions are made in accordance with the Council's spending policy.

Note 7 - Line of Credit

The Council maintained an additional unsecured operating line of credit of \$1,500,000 with Northern Trust financial institution as of November 2019. The line of credit was reduced to \$750,000 in March 2020. The LOC bears interest at the Overnight LIBOR rate plus 1.75%, which had an effective rate of 3.29% as of December 31, 2020. The line of credit was extended until March 8, 2021 and was paid in full and closed.

Note 8 - Paycheck Protection Program Loan Payable

The \$162,822 loan proceeds were received on April 23, 2020 under the Paycheck Protection Program (PPP). The PPP was established by Section 1102 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provided for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the Organization. The loan and accrued interest are forgivable in the amount used for eligible expenses during an eight week period. Eligible expenses include payroll, benefits, rent, and utilities. The amount of loan forgiveness will be reduced if the Organization terminates employees or reduces salaries during that period. The Council intended to only use loan proceeds for eligible purposes and then apply for forgiveness as soon as the application was available and if necessary pay back any potentially unforgiven amount in full. Any unforgiven portion of the PPP loan not paid back by February 23, 2021 would be payable over 18 months at an interest rate of 1%.

The Council received a second PPP loan of \$162,822 on March 10, 2021. The first PPP loan was forgiven in full on March 30, 2021 and the second PPP loan was forgiven in full on August 19, 2021. The \$325,644 forgiven is recorded in Other Revenue.

Note 9 - Net Assets with Donor Restrictions

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

	2021			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Scouting activities	\$ 14,300	\$ -	\$ -	\$ 14,300
All markets	88,450	104,040	-	192,490
United Way designation	10,485	-	-	10,485
Rancho Alegre	-	3,216,119	-	3,216,119
Total purpose restrictions	113,235	3,320,159	-	3,433,394
Subject to endowment spending policy and appropriation:				
General endowment	-	-	3,495,712	3,495,712
Total endowment invested in perpetuity, subject to spending policy and appropriation	-	-	3,495,712	3,495,712
Total net assets with donor restrictions	\$ 113,235	\$ 3,320,159	\$ 3,495,712	\$ 6,929,106

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 9 - Net Assets with Donor Restrictions (Continued)

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

	2020			
	Operating Fund	Capital Fund	Endowment Fund	Total
Subject to expenditure for a specific purpose:				
Scouting activities	\$ 6,000	\$ -	\$ -	\$ 6,000
All markets	82,450	104,040	-	186,490
United Way designation	10,485	-	-	10,485
Rancho Alegre	-	2,850,729	-	2,850,729
Total purpose restrictions	98,935	2,954,769	-	3,053,704
Subject to endowment spending policy and appropriation:				
General endowment	-	-	3,143,671	3,143,671
Total endowment invested in perpetuity, subject to spending policy and appropriation	-	-	3,143,671	3,143,671
Total net assets with donor restrictions	\$ 98,935	\$ 2,954,769	\$ 3,143,671	\$ 6,197,375

The Council owns two parcels of land with perpetual use restrictions imposed by the donors. One parcel must be used as the Council's headquarters in perpetuity and the other must be used strictly as a Scout camp. The Rancho Alegre Capital Fund donor restricted amount was increased as of June 30, 2019 from the amount listed originally as \$1,918,327 of Capital Campaign and Legacies and Bequests were inaccurately reported in net assets without donor restrictions instead of as net assets restricted by the donor for Rancho Allegre.

Note 10 - Endowment

The Council's endowment includes both donor-restricted endowment and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law

The Council is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Council's Board of Directors has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates 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 SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Council.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 10 - Endowment (Continued)

Endowment net assets consisted of the following at December 31, 2021:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, perpetual in duration	\$ -	\$ 3,495,712	\$ 3,495,712
Board-designated endowment funds	489,105	-	489,105
Total	<u>\$ 489,105</u>	<u>\$ 3,495,712</u>	<u>\$ 3,984,817</u>

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 1,129,152	\$ 3,143,671	\$ 4,272,823
Prior-period adjustment	300,000	-	300,000
Investment return:			
Investment income	-	121,189	121,189
Net realized and unrealized gains	-	225,852	225,852
Direct support	-	5,000	5,000
Distribution to operating	(940,047)	-	(940,047)
Endowment net assets - end of year	<u>\$ 489,105</u>	<u>\$ 3,495,712</u>	<u>\$ 3,984,817</u>

Endowment net assets consisted of the following at December 31, 2020:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds, perpetual in duration	\$ -	\$ 3,143,671	\$ 3,143,671
Board-designated endowment funds	1,129,152	-	1,129,152
Total	<u>\$ 1,129,152</u>	<u>\$ 3,143,671</u>	<u>\$ 4,272,823</u>

Changes in endowment net assets for the year ended December 31, 2020:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 2,046,591	\$ 2,964,439	\$ 5,011,030
Investment return:			
Investment income	-	150,846	150,846
Net realized and unrealized gains	-	28,386	28,386
Distribution to operating	(283,284)	-	(283,284)
Legal settlement	(634,155)	-	(634,155)
Endowment net assets - end of year	<u>\$ 1,129,152</u>	<u>\$ 3,143,671</u>	<u>\$ 4,272,823</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Council to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The Council has interpreted the SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 10 - Endowment Fund (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 11 - Employee Benefit Plan

The National Council has a qualified defined benefit pension plan ("the plan") administered at the National Service Center that covers employees of the National Council and local councils, including the Local Council Inc.. The plan name is the Boy Scouts of America Master Pension Trust – Boy Scouts of America Retirement Plan for Employees and covers all employees at time of employment and who have agreed to make contributions. Eligible employees contribute a selected percent of compensation, and the Council contributes an additional 5 percent to the plan. Pension expense (excluding the contributions made by employees) was approximately \$46,413 and \$21,307 in 2021 and 2020, 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.

Note 12 - Concentrations of Credit Risk and Financial Risk

The Council maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. The Council held approximately \$250,511 in financial institutions in excess of federally insured limits. The Council has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

The Council invests in professionally managed portfolios that contain fixed income and equity securities. Such investments are exposed to various systematic risks such as market and credit. Due to the level of risk associated with such investments it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidating financial statements.

Note 13 - Commitments

On January 3, 2018, the Council entered into an agreement for design services for the Rancho Alegre Master Plan and Reconstruction. A subsequent agreement was signed July 16, 2018. The total estimated contract cost is approximately \$314,000. Certain costs associated with this project are excluded from the total estimated contract cost. As of December 31, 2021, \$459,685 has been incurred. This agreement is now closed.

During January 2019, the Council entered into a contract to purchase equipment for the Rancho Alegre Master Plan and Reconstruction. The total estimated cost is approximately \$18,855. As of December 31, 2021, approximately \$12,938.40 has been incurred for the tractor. Final payment was made in 2021.

On February 4, 2019, the Council entered into an agreement for grading and paving at Rancho Alegre for an estimated cost of \$1,716,645. As of December 31, 2021, approximately \$1,546,050 has been incurred for rough grading.

On April 10, 2019, the Council entered into an agreement for contractor services for the Rancho Alegre Rebuild Phase I. The fee for services is based on a mark-up of costs and includes 3.5% for overhead plus 3.5% for profit. As of December 31, 2021, approximately \$5,522,766 has been incurred.

During May 2020, the Council entered into an agreement for construction and installation of a water tank and water lines at Rancho Alegre for an estimated cost of \$598,824. As of December 31, 2021, approximately \$451,261 has been incurred.

LOS PADRES COUNCIL, BOY SCOUTS OF AMERICA

Notes to the Financial Statements

December 31, 2021 (with comparative totals for 2020)

Note 14 - Related Party Transactions

The Council purchases supplies and program materials from the National Council. The Council also incurs expenses from the National Council related to certain administrative services. Total expenses to the National Council were \$421,991 and \$221,782 for the years ended December 31, 2021 and 2020, respectively.

Note 15 - Donated Materials and Services

The Council is dependent upon donated materials from diverse groups to fulfill its mission. For the years ended December 31, 2021 and 2020, donated materials recorded in the consolidating financial statements as in-kind contributions totaled \$ 10,000 and \$0, respectively.

Note 16 - Contingencies and Subsequent Events

The National Council provides the Council with a charter, program materials and support for administration as well as sponsoring certain benefit plans for Council employees. Since 1978 the National Council has operated a GLIP in which the Council participates. The National Council was named as a defendant in lawsuits alleging sexual abuse, including claims for compensatory and punitive damages. On February 18, 2020, the national organization of the Boy Scouts of America filed for Chapter 11 bankruptcy as a result of the ongoing litigation.

Local councils have been asked to participate in a channeling injunction which would preclude claims against the local councils in exchange for each local council agreeing to a dollar amount to contribute toward the trust fund to be established through the BSA bankruptcy to compensate victims. The Ad Hoc Committee of Local Councils has negotiated with the parties in the BSA bankruptcy, including the Torts Claimants Committee, to reach a total amount to be contributed by the Councils. The amount to be contributed by each council is based upon a complicated formula negotiated between all the councils and the Ad Hoc Committee based on such factors as the statute of limitations of each state, the number of tort claims claimed to be made in each Council, and the Council's liquid/illiquid and restricted/nonrestricted assets. The settlement number assigned to the Council in recent weeks that was filed in the BSA Bankruptcy Disclosure Statement on Friday August 20, 2021 is \$1,834,155. Cash portion of \$51,279 was paid on 10/1/2022 and property one of the service centers valued at \$1,782,876 will be turned over to the trust to sale.

Note 17 - Prior-period adjustment

A prior-period adjustment was made to the Capital Fund of (\$247,607) and to the Endowment Fund of \$300,000 which consisted of moving \$300,000 in net assets from the Capital Fund to the Endowment fund as the appraised value of the a building to be sold in the legal settlement above was increased to \$1,500,000 prior to December 31, 2021 and thus moved the \$300,000 in legal liability between the funds. In addition, the \$52,393 adjustment to the Capital Fund was due to capital additions in accounts payable at December 31, 2020 that were not properly added to fixed assets.