

San Francisco Bay Area Council
Boy Scouts of America
(a nonprofit organization)

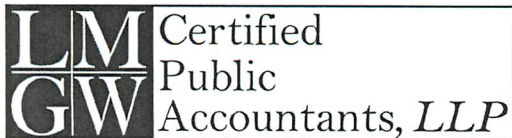
Financial Statements
and
Independent Auditors' Report

For the Years Ended
December 31, 2009 and 2008

**San Francisco Bay Area Council
Boy Scouts of America**

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Tharan J. Lanier, CPA
Kevin A. Madej, CPA
Gregory S. Genetti, CPA
David G. Wheeler, CPA
Keith D. Plottel, CPA
Matthew O. Wheeler, CPA
Roberta S. Schmalz, CPA
Linda L. Canavan, EA

Independent Auditors' Report

To Executive Board
San Francisco Bay Area Council
Boy Scouts of America
San Leandro, California

We have audited the accompanying statements of financial position of the San Francisco Bay Area Council of the Boy Scouts of America, the "Council" (a nonprofit organization) as of December 31, 2009, and the related statements of activity and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2008 financial statements. We expressed an unqualified opinion on those financial statements in our report dated March 19, 2009.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Bay Area Council of the Boy Scouts of America as of December 31, 2009, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'F. W. Gell'.

March 5, 2010

San Francisco Bay Area Council of the Boy Scouts of America
Statements of Financial Position
As of December 31, 2009 and 2008

	Operating Fund		Capital Fund		Endowment Fund		Total All Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 844,462	\$ 515,361	\$ 218,369	\$ 80,598	\$ 16,897	\$ 36,054	\$ 1,079,728	\$ 632,013
Accounts Receivable	117,494	104,041	-	-	-	-	117,494	104,041
Pledges Receivable, Net	96,647	56,125	500,000	-	-	7,479	596,647	63,604
Inventories	22,073	-	-	-	-	-	22,073	-
Prepaid Expenses	296,414	84,939	2,847	2,847	-	-	299,261	87,786
Due from (to) Other Funds	-	62,875	-	185,557	-	(248,432)	-	-
Total Current Assets	1,377,090	823,341	721,216	269,002	16,897	(204,899)	2,115,203	887,444
Land, Property and Equipment, Net of Accumulated Depreciation	-	-	7,991,219	7,631,448	-	-	7,991,219	7,631,448
Other Assets								
Long-term Pledges Receivable, Net	-	-	923,332	-	-	-	923,332	-
Investments	-	748,526	-	340,000	791,531	2,215,782	791,531	3,304,308
Beneficial Interest in Perpetual Trusts	-	-	-	-	5,490,456	5,674,481	5,490,456	5,674,481
Beneficial Interest in Charitable Remainder Trusts	-	-	-	-	190,280	135,901	190,280	135,901
Total Other Assets	-	748,526	923,332	340,000	6,472,267	8,026,164	7,395,599	9,114,690
Total Assets	\$ 1,377,090	\$ 1,571,867	\$ 9,635,767	\$ 8,240,450	\$ 6,489,164	\$ 7,821,265	\$ 17,502,021	\$ 17,633,582
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts Payable	\$ 72,207	\$ 18,039	\$ 30,866	\$ 30,470	\$ -	\$ -	\$ 103,073	\$ 48,509
Accrued Expenses	1,148	3,978	-	-	-	-	1,148	3,978
Current Portion of Long-term Note Payable	-	-	-	33,194	-	-	-	33,194
Payroll Liabilities	42,309	44,491	-	-	-	-	42,309	44,491
Custodial Accounts	223,352	140,588	-	-	89,942	88,588	313,294	229,176
Deferred Activity Income	245,188	51,790	-	-	-	-	245,188	51,790
Deferred Camp Income	40,811	47,923	-	-	-	-	40,811	47,923
Total Current Liabilities	625,015	306,809	30,866	63,664	89,942	88,588	745,823	459,061
Non-current Liabilities								
Long-term Note Payable	-	-	-	1,377,037	-	-	-	1,377,037
Total Liabilities	625,015	306,809	30,866	1,440,701	89,942	88,588	745,823	1,836,098
Net Assets								
Unrestricted	588,688	549,621	7,255,209	6,383,389	989,005	2,601,146	8,832,902	9,534,156
Temporarily Restricted	163,387	715,437	2,349,692	416,360	211,187	211,187	2,724,266	1,342,984
Permanently Restricted	-	-	-	-	5,199,030	4,920,344	5,199,030	4,920,344
Total Net Assets	752,075	1,265,058	9,604,901	6,799,749	6,399,222	7,732,677	16,756,198	15,797,484
Total Liabilities and Net Assets	\$ 1,377,090	\$ 1,571,867	\$ 9,635,767	\$ 8,240,450	\$ 6,489,164	\$ 7,821,265	\$ 17,502,021	\$ 17,633,582

See notes to the financial statements.

San Francisco Bay Area Council of the Boy Scouts of America
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2009 with comparative totals for 2008

	Operating	Capital	Endowment	Total Dec 2009	Total Dec 2008
Changes in Unrestricted Net Assets					
Support and Revenue					
Direct Support					
Friends of Scouting	\$ 1,010,791	\$ -	\$ -	\$ 1,010,791	\$ 1,044,846
Less Provision for Uncollectibles	(46,280)	-	-	(46,280)	(80,037)
Net Friends of Scouting	964,511	-	-	964,511	964,809
Project Sales	32,058	-	-	32,058	20,802
Capital Campaign	-	950	-	950	2,386
Special Fundraising Events	925,625	-	-	925,625	1,154,060
Less Cost of Net Benefits	(395,141)	-	-	(395,141)	(409,041)
Less Provision for Uncollectibles	(11,797)	-	-	(11,797)	(8,715)
Net Special Fundraising Events	518,687	-	-	518,687	736,304
Legacies and Bequests	165,000	-	-	165,000	821,489
Foundations & Trusts	256,500	-	-	256,500	293,131
Other Direct Support	-	6,000	1,242	7,242	1,140
Total Direct Support	1,936,756	6,950	1,242	1,944,948	2,840,061
Indirect Support					
United Way	15,189	-	-	15,189	13,894
Unassociated Organizations	817,387	-	-	817,387	547,977
Total Indirect Support	832,576	-	-	832,576	561,871
Revenue					
Sale of Products Related to Scouting	348,908	-	-	348,908	286,309
Less Cost of Goods Sold	(116,710)	-	-	(116,710)	(81,266)
Less Commissions Paid	(118,773)	-	-	(118,773)	(104,751)
Net Sale of Products Related to Scouting	113,425	-	-	113,425	100,292
Investment Income	67,678	792	2,233	70,703	115,119
Income from Interest in Beneficial Trusts	-	222,716	-	222,716	339,660
Unrealized gain (loss) on Investments	-	-	-	-	(145,300)
Unrealized Gain (loss) on Interest in Beneficial Trusts	-	-	(129,646)	(129,646)	1,479,445
Camping Revenue	1,712,769	-	-	1,712,769	1,560,880
Activity Revenue	127,070	-	-	127,070	95,371
Other Revenue	120,226	-	-	120,226	(62,979)
Total Revenue	2,141,168	223,508	(127,413)	2,237,263	3,482,488
Net Assets Released from Restrictions	506,800	-	-	506,800	553,513
Total Unrestricted Support and Revenue	5,417,300	230,458	(126,171)	5,521,587	7,437,933
Expenses					
Program Services	4,640,358	687,157	24,958	5,352,473	5,125,305
Management and General	447,804	97,047	4,307	549,158	509,677
Fundraising	223,791	30,121	1,018	254,930	241,966
Total Expenses	5,311,953	814,325	30,283	6,156,561	5,876,948
Payments to Affiliated Association	66,280	-	-	66,280	60,417
Inc (Dec) in Unrestricted Net Assets	\$ 39,067	\$ (583,867)	\$ (156,454)	\$ (701,254)	\$ 1,500,568

(continued)

See notes to the financial statements.

San Francisco Bay Area Council of the Boy Scouts of America
Statement of Activities and Changes in Net Assets (continued)
For the year ended December 31, 2009 with comparative totals for 2008

	Operating	Capital	Endowment	Total Dec 2009	Total Dec 2008
Changes in Temporarily Restricted Net Assets					
Friends of Scouting	\$ 15,950	\$ -	\$ -	\$ 15,950	\$ 23,600
Special Fundraising Events	-	-	-	-	6,200
Legacies and Bequests	-	-	-	-	79,500
Capital Campaign	-	1,933,332	-	1,933,332	-
Other Direct Support	(61,200)	-	-	(61,200)	293,537
Net Assets Released from Restrictions	(506,800)	-	-	(506,800)	(553,513)
Inc (Dec) in Temporarily Restricted Net Assets	(552,050)	1,933,332	-	1,381,282	(150,676)
Changes in Permanently Restricted Net Assets					
Other Direct Support	-	-	5,000	5,000	8,000
Gain/Loss on Investments	-	-	273,686	273,686	(351,383)
Inc (Dec) in Permanently Restricted Net Assets	-	-	278,686	278,686	(343,383)
Inc (Dec) in Net Assets	(512,983)	1,349,465	122,232	958,714	1,006,509
Interfund Transfers	-	1,455,687	(1,455,687)	-	-
Net Assets Beginning of Year					
Unrestricted	549,621	6,383,389	2,601,146	9,534,156	8,033,588
Temporarily Restricted	715,437	416,360	211,187	1,342,984	1,493,660
Permanently Restricted	-	-	4,920,344	4,920,344	5,263,727
Total Net Assets Beginning of Year	1,265,058	6,799,749	7,732,677	15,797,484	14,790,975
Net assets end of year					
Unrestricted	588,688	7,255,209	989,005	8,832,902	9,534,156
Temporarily Restricted	163,387	2,349,692	211,187	2,724,266	1,342,984
Permanently Restricted	-	-	5,199,030	5,199,030	4,920,344
Total Net Assets End of Year	<u>\$ 752,075</u>	<u>\$ 9,604,901</u>	<u>\$ 6,399,222</u>	<u>\$ 16,756,198</u>	<u>\$ 15,797,484</u>

See notes to the financial statements.

San Francisco Bay Area Council of the Boy Scouts of America
Statement of Functional Expenses
For the year ended December 31, 2009 with comparative totals for 2008

	Program Services	Management & General	Fundraising	Total Dec 2009	Total Dec 2008
Employee Compensation					
Salaries	\$ 2,530,659	\$ 305,009	\$ 93,850	\$ 2,929,518	\$ 2,612,652
Employee Benefits	330,541	47,865	14,727	393,133	355,141
Payroll Taxes	274,976	28,809	8,864	312,649	257,749
Employee Related Expenses	21,759	3,151	970	25,880	37,750
Total Employee Compensation	3,157,935	384,834	118,411	3,661,180	3,263,292
Other Expenses					
Professional Fees	73,110	15,496	3,451	92,057	94,608
Supplies	859,784	4,117	7,811	871,712	752,588
Telephone	42,209	6,756	1,697	50,662	51,714
Postage and Shipping	17,376	1,016	41,192	59,584	53,850
Occupancy	238,894	20,222	6,391	265,507	240,305
Equipment Rental and Maintenance	70,306	10,229	3,483	84,018	81,068
Printing and Publications	17,702	801	5,186	23,689	27,464
Travel	169,070	18,345	30,801	218,216	211,844
Meetings and Conferences	36,284	2,665	820	39,769	52,171
Specific Assistance to Individuals	62,096	756	233	63,085	305,765
Recognition Awards	25,878	65	9,654	35,597	50,491
Interest Expense	68,903	10,792	3,321	83,016	106,554
Insurance	57,158	8,003	2,462	67,623	76,926
Loss on Sale of Assets	15,275	1,348	415	17,038	-
Other Expenses	77,208	6,813	2,095	86,116	86,862
Total other expenses	1,831,253	107,424	119,012	2,057,689	2,192,210
Expenses Before Depreciation	4,989,188	492,258	237,423	5,718,869	5,455,502
Depreciation of Property & Equipment	363,285	56,900	17,507	437,692	421,446
Total Expenses Before Payment to Affiliated Associations	\$ 5,352,473	\$ 549,158	\$ 254,930	\$ 6,156,561	\$ 5,876,948

See notes to the financial statements.

San Francisco Bay Area Council of the Boy Scouts of America
Statement of Cash Flows
For the year ended December 31, 2009 with comparative totals for 2008

	Operating	Capital	Endowment	Total Dec 2009	Total Dec 2008
Net cash provided (used) by operating activities					
Increase (decrease) in total net assets	(512,983)	1,349,465	122,232	958,714	1,006,509
Adjustments to increase (decrease) in total net assets to reconcile to net cash provided (used) by operating activities:					
Depreciation	-	437,692	-	437,692	421,446
Interfund Transfers		1,455,687	(1,455,687)	-	
Unrealized Gain (Loss)	-	-	129,646	129,646	-
Changes in assets and liabilities:					
Account and Other Receivables	(13,453)	-	-	(13,453)	(101,775)
Pledges Receivables	(40,522)	(1,423,332)	7,479	(1,456,375)	12,755
Inventory	(22,073)	-	-	(22,073)	-
Prepaid Expenses	(211,475)	-	-	(211,475)	82,490
Accounts Payable	54,168	396	-	54,564	(30,508)
Accrued Expenses	(2,830)	-	-	(2,830)	(52,080)
Custodial Accounts	82,764	-	1,354	84,118	6,848
Payroll Liabilities	(2,182)	-	-	(2,182)	6,858
Deferred Income	186,286	-	-	186,286	42,487
Net Cash Provided (Used) by Operating Activities	(482,300)	1,819,908	(1,194,976)	142,632	1,395,030
Net cash provided (used) by investing activities					
Purchase of Property and Equipment	-	(609,885)	-	(609,885)	(681,401)
(Increase) Decrease in Investment/Trust Accounts	748,526	340,000	1,424,251	2,512,777	(585,083)
Purchase of Construction-in-progress	-	(187,578)	-	(187,578)	111,262
Net Cash Provided (Used) by Investing Activities	748,526	(457,463)	1,424,251	1,715,314	(1,155,222)
Net cash provided (used) by financing activities					
Interfund Loans Receipts (Payments)	62,875	185,557	(248,432)	-	-
Proceeds (Payments) on Long-term Borrowing	-	(1,410,231)	-	(1,410,231)	(13,509)
Net cash provided (used) by financing activities	62,875	(1,224,674)	(248,432)	(1,410,231)	(13,509)
Net Increase (Decrease) in Cash and Cash Equivalents	329,101	137,771	(19,157)	447,715	226,299
Cash and Cash Equivalents:					
Beginning of Year	515,361	80,598	36,054	632,013	405,714
End of Year	\$ 844,462	\$ 218,369	\$ 16,897	\$ 1,079,728	\$ 632,013

See notes to the financial statements.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1: Organization and Operations

The San Francisco Bay Area Council of Boy Scouts of America, (the "Council"), is a California non-profit organization incorporated on December 31, 1963. The Council as an organization is devoted to promoting the ability of young people to make ethical and moral choices over their lifetimes by instilling in them the values of the Scout Oath and Law.

The Council serves San Francisco and Alameda Counties located in California and supports more than 300 local packs, troops, teams and crews. It includes five districts: the Golden Gate District which serves San Francisco and Daly City; the Peralta District, which serves Oakland and Emeryville; the Tres Ranchos District, which serves San Leandro, Hayward, Castro Valley, and San Lorenzo; the Mission Peak District, which serves Union City, Fremont, and Newark; and the Twin Valley District, which serves Livermore, Pleasanton, Dublin, and Sunol.

The Council office is located in San Leandro, California in a building known as the Youth Leadership Training Center (YLTC). This facility features the Council offices and meeting rooms as well as a National Scout Shop and a 40 foot climbing wall.

The Council maintains three camps: Rancho Los Mochos, located in the hills above Livermore, CA; Wente Scout Reservation, located east of Willits, CA; and Camp Royaneh, situated near the Russian River in Cazadero, CA.

The Council's programs include the following:

Cub Scouts is a year-round family- and home-centered program that develops ethical decision-making skills for boys in the second through fifth grade (or who are 8, 9, and 10 years old). Activities emphasize character development, citizenship training, and personal fitness.

Younger Cub Scouts participate as Tiger Cubs, a year-round family- and home-centered program that encourages the ethical decision-making skills for first-grade (or 7-year-old) boys. These boys participate in the program with their adult partners. The program emphasizes shared leadership, learning about the community, and family understanding.

Older Cub Scouts participate as Webelos Scouts, a year-round family- and home-centered program that develops ethical decision-making skills for fourth- and fifth-grade (or 10-year-old) boys. Webelos Scouts participate in more advanced activities that begin to prepare them to become Boy Scouts.

Boy Scouting is a year-round program for boys ages 11 through 17. Through the Boy Scout program, young men can achieve the core objectives of strengthening character, personal fitness and good citizenship.

Varsity Scouting is an active, exciting, year-round program for young men 14 through 17 built around five program fields of emphasis: advancement, high adventure, personal development, service, and special programs and events.

Venturing is a co-educational development program of the Boy Scouts of America for young adults who are 14 through 21 years of age. Venturing's purpose is prepare young people to become responsible and caring adults.

Learning for Life is a co-educational classroom-based program for youth ages 5 through 20. The program offers character and career education through role models and grade-specific action-oriented lesson plans.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 1: Organization and Operations (continued)

Exploring is a career education program for young men and women ages 14 through 20, based on a unique and dynamic relationship between youth and the organizations in their communities who match their people and program resources to the interest of the youth.

The Council solicits contributions and receives fees for camp and other related council activities.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting which recognizes revenues and support when earned and expenses when incurred.

Classes of Net Assets

In accordance with Generally Accepted Accounting Principles ("GAAP"), the Council's financial statements report amounts separately by class of net assets among unrestricted, temporarily restricted and permanently restricted net assets.

- 1) Unrestricted net assets are those currently available for use by the Council, and those resources invested in land, buildings, and equipment.
- 2) Temporarily restricted amounts are those that are restricted by donors for specific operating purposes or for the acquisition of land, buildings and equipment. When a donor restriction expires or purpose of restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- 3) Permanently restricted net assets are those amounts in which the donor has stipulated that the principal remain intact in perpetuity. Income from the principal is considered unrestricted unless further restricted by the donor.

Fund Accounting

The Council maintains its accounts in accordance with the principles of fund accounting. All financial transactions have been recorded and reported on the following fund groups:

- 1) Operating fund – includes all program and administrative activity expenses related to the Council operations, including salaries, overhead costs as well as revenue received to finance these activities.
- 2) Capital fund – represents property and equipment used by the Council.
- 3) Endowment fund – includes contributions received that specifically relate to the endowment campaign program.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Council records accounts receivable as services are rendered or products are delivered. The Council considers all accounts receivable to be collectable and therefore no allowance has been recorded.

Pledges Receivable

Pledges receivable are either unconditional or conditional. Unconditional pledges receivable are pledges that depend only on the passage of time or the demand by the donor for performance. A conditional pledge is a pledge that depends on the occurrence of a specified future and uncertain event to bind the donor. Unconditional pledges receivable represent the remaining pledges due from the donors who have pledged funds to the Council for use in its programs. There were no conditional pledges at December 31, 2009 or 2008.

Pledges that are expected to be collected after one year are discounted using a discount rate of approximately 3.2% as of December 31, 2009. An allowance reserve has been established based on management's best estimates. The financial statements reflect pledges receivable net of allowance reserve.

Inventories

The Council's inventories include popcorn and promotional items. Inventory is valued at cost on a first-in, first-out basis.

Prepaid Expenses

Prepaid expenses include prepayments toward events, insurance and other incidental prepayments related to the following year.

Property and Equipment

Land, buildings and equipment are stated at cost, or at the estimated fair value if acquired by gift. Such donations are reported as unrestricted support unless the donor imposes specific restrictions on future use of the asset. Assets under explicit donor restrictions are reported as restricted contributions. When such restrictions expire as time lapses, or purposes of such restrictions are accomplished, the Council reclassifies the temporarily restricted net assets into unrestricted net assets.

It is the Council's policy to capitalize all items purchased or donated with a value of \$500 or more. Depreciation is provided over the estimated useful lives of the following assets based on the straight-line method:

Building and improvements	5-40 Years
Furniture, fixtures, and equipment	5-20 Years
Automobiles and aquatic equipment	3-5 Years

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

Investments

The Council's investments are carried at full market value. Investments in marketable securities are carried at the quoted market values at the date of the statements of financial positions. Investment income consisting mainly of interest and dividends along with realized and unrealized gains and losses are reflected in the statements of activities. Unrestricted contributions of securities are converted into cash under the existing investment policy, instead of being recognized at their fair market value at donation.

Perpetual Trust

Beneficial interest in a perpetual trust is represented by the present value of the future cash flows from the trust investments. The trust is held in perpetuity and therefore will not terminate nor will the assets be distributed to the Council

Charitable Remainder Trusts

Beneficial interests in charitable remainder trusts are represented by the present value of future cash flows from the trust investments. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the term of the trust. Upon termination of the trust, the remaining assets are distributed to the charitable organization as provided by the trust agreement.

Custodial Accounts

These accounts represent funds of various troops held in a fiduciary capacity by the Council. They are not available for operating purposes. A custodial account is established when cash is received in advance for future purposes, and disbursed only on instruction of the person or group from whom the cash was received.

Deferred Activity and Camp Income

These accounts represent program service fees collected prior to the occurrence of the event or activity for which they were collected. At the time of occurrence, any deferred activity income is recognized as camping or activity revenue.

Revenue Recognition

Sustaining membership enrollments consist of contributions received from individuals and organizations that wish to be associated with the Council through their financial support. There is no requirement for a sustaining member to pay an annual fee.

Contributions are recognized when the donor makes an unconditional promise to give. Restricted contributions increase unrestricted net assets if the restrictions expire in the fiscal year in which such contributions are recognized as revenue. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Council uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Pledges receivable are due within one year unless otherwise disclosed in the notes to financial statements.

Product sales revenue is recognized when products are sold. Camping and activity revenue is recognized when services are provided.

Functional Allocation of Expenses

Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purpose for which the Council exists) and supporting activities (those indirectly related to the purposes for which the Council exists but necessary for its operations, i.e., management and general, and fundraising).

The Council analyzed the costs of providing the various programs and supporting activities of the organization on a functional basis.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts. Actual results could differ from those estimates.

Tax Exemption

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income in 2009 and 2008. Accordingly, no provision for income taxes is provided in the financial statements. The Council is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

Donated Services

It is the Council's policy and also in accordance with GAAP to record a value for contributed services when such services require special skill or enhance a non-financial asset.

A substantial number of volunteers and board members have donated time in the accomplishment of other program objectives. However, no value has been recognized for these services, as they do not meet the above-mentioned criteria.

Fair Value of Financial Instruments

Financial instruments included in the Council's Statement of Financial Position as of December 31, 2009 and 2008 include cash and cash equivalents, investments, pledges receivable, accounts payable and accrued expenses. For cash and cash equivalents, pledge receivable, accounts payable, and accrued expenses, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described in Note 6: Investments.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Council to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. The Council maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. At times, such amounts might exceed FDIC limits. The Council's investments have been placed with high quality financial institutions; The Council monitors these investments and has not experienced significant credit losses.

The credit risk in pledges receivable is mitigated by the fact that generally the pledges are made by local donors and are evaluated by the Council based on the knowledge of the donors. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. It is the Council's opinion that it is not exposed to any significant credit risks.

Endowment Accounting and Interpretation of Relevant Law

The Council is subject to the State of California enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the provisions of which apply to its endowment funds. As required by UPMIFA and 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.

Subsequent Events

Subsequent events are evaluated through the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of December 31, 2009.

Comparative Totals

The statements of activities and changes in net assets, and cash flows include certain prior year summarized comparative information in total but not by fund as presented for the current year. The statements of functional expenses include summarized comparative information in total but not by functional classification as in the current year. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Reclassification

Certain 2008 balances have been reclassified to conform to the 2009 financial statement presentation. These reclassifications have no effect on previously reported net assets.

Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, "Generally Accepted Accounting Principles" which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepting accounting principles. Pursuant to the provisions of FASB ASC 105, the Council has updated references to GAAP in its financial statements issued for

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact the Council's financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) (ASC 740-10-25). Under FIN 48, an organization must recognize the tax benefit associated with tax position taken for the tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Council's financial statements. The Council does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009, as a result of the adoption of FIN 48. For the year ended December 31, 2009, there were no interest or penalties recorded or included in the Council's financial statements.

Other accounting standards that have been issued or proposed by FASB or other standards-setting bodies do not require adoption until a future date. They are not expected to have a material impact on the Council's financial statements upon adoption.

Note 3: Cash and Cash Equivalents

Total cash held by the Council at December 31, 2009 and 2008 includes approximately \$336,467 and \$734,070, respectively in monies, that are not covered by insurance provided by the federal government.

Included in cash and cash equivalents at December 31, 2009 and 2008 are approximately \$160,211 and \$183,172, respectively of cash temporarily restricted for scholarship, which is not available for operating purposes.

Note 4: Pledges Receivable

Receivables are recorded after discounting the future cash flows to present value using a discount rate of 3.2%. The maturities of these receivables are as follows at December 31:

	2009			2008		
	Operating	Capital	Endowment	Operating	Capital	Endowment
Amounts due in:						
Less than one year	\$ 154,724	\$ 500,000	\$ -	\$ 144,877	\$ -	\$ 7,479
One to five years	-	1,000,000	-	-	-	-
Total pledges receivable	154,724	1,500,000	-	144,877	-	7,479
Less:						
Allowance for doubtful accounts	(58,077)	-	-	(88,752)	-	-
Present value discount	-	(76,668)	-	-	-	-
Pledges receivable, net	96,647	1,423,332	-	56,125	-	7,479
Less:						
Current portion, net	(96,647)	(500,000)	-	(56,125)	-	(7,479)
Non-current portion, net	\$ -	\$ 923,332	\$ -	\$ -	\$ -	\$ -

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 5: Property and Equipment

Property, equipment and accumulated depreciation at December 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 1,254,748	\$ 1,254,748
Buildings and improvements	10,657,311	10,340,779
Furniture, fixtures and equipment	<u>1,430,427</u>	<u>1,681,243</u>
	13,342,486	13,276,770
Less accumulated depreciation	<u>(5,868,312)</u>	<u>(5,974,789)</u>
	7,474,174	7,301,981
Various campsite construction in progress	<u>517,045</u>	<u>329,467</u>
Total net property and equipment	<u>\$ 7,991,219</u>	<u>\$ 7,631,448</u>

Depreciation expense for years ending December 31, 2009 and 2008 was \$437,692 and \$421,446, respectively.

Note 6: Investments

The Council follows the provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would only be used when Level 1 or Level 2 inputs are not available.

An investment's classification within level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Council's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Council's perceived risk of that investment.

Unrestricted

Unrestricted long-term investments are held by private trusts but designated by the Council for generation of income for long-term operations. One such investment is the private trust of SF BSA, in which the Council is the beneficiary, and the independent trustee has the sole power of investment management. The corpus of the trust consists of cash and investments in various securities and is to be held in perpetuity by the trustee. The assets of this trust are recorded at quoted market value and are included in the endowment fund on the statements of financial position.

Another unrestricted long-term investment is the Scout Troop #2 trust, which distributes income to the Council and Boy Scout Troop #2. Investment income for these accounts available for operations, includes interest and dividend income earned on the trust assets, and is reflected in the operating fund as unrestricted net assets, while gain or loss is reported as permanently restricted net assets on the statement of activities.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 6: Investments (continued)

Unrestricted (continued)

The following are the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2009:

	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>
Cash and cash equivalents	\$ 791,531
Total	<u>\$ 791,531</u>

At December 31, 2008, assets for the above two private trusts consist of the following:

	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>
Cash and cash equivalents	\$ 1,204,401
Equity funds	660,523
Fixed income	756,136
Total	<u>\$ 2,621,060</u>

Permanently Restricted

The Council's long-term investment in the Tonningsen Trust was held in perpetuity by the same independent trustee that administers the above two private trusts with sole power of investment management. The trust assets are valued at quoted market value and are reported in the endowment fund on the statements of financial position. The Council reports investment income, which consists of interest and dividends as unrestricted net assets, and gain and loss on investments as permanently restricted net assets on the statement of activities. During the year ended December 31, 2009, the Tonningsen Trust funds were 100% invested in the YLTC building and applied to the mortgage.

At December 31, 2008, the Tonningsen Trust assets are composed of the following:

	<u>Level 1: Quoted Prices in Active Markets for Identical Assets</u>
Cash and cash equivalents	\$ 83,871
Equity funds	317,693
Fixed income	275,702
Other	5,982
Total	<u>\$ 683,248</u>

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 6: Investments (continued)

Investment Income and Expense

Investment income and expense for the years ended December 31 is as follows:

	<u>2009</u>	<u>2008</u>
Dividend and interest income	\$ 70,703	\$ 115,111
Net realized gain (loss)	<u>273,686</u>	<u>(189,597)</u>
Investment income (loss)	344,389	(74,486)
Net unrealized gain (loss)	-	(145,300)
Investment related expenses	<u>(20,019)</u>	<u>(27,175)</u>
Total	<u>\$ 324,370</u>	<u>\$ (246,961)</u>

Spending Policy

The Council Executive Board approved a 5% distribution of the total assets held in the Trust as of September 30th of each year to the operating fund for the subsequent year. The Executive Committee of the Council can approve an increase distribution with a majority vote. The trust portfolios are managed to produce a total return that will exceed the sum of the 5% distribution plus inflation, management and trustee fees, so absent of extraordinary circumstances, the trust principal should not be invaded.

Note 7: Other Assets

Beneficial Interest in Charitable Remainder Trusts

At December 31, 2009 and 2008, the Council has irrevocable beneficial interests in three charitable remainder trusts that are administered by independent banker trustees.

The Council reports its remainder interests at the present values of the estimated future cash flows expected to be received from the trusts. These present values have been calculated using applicable United States Internal Revenue Service guidelines for valuing charitable remainder trusts which involve the use of mortality tables and the long-term federal discount rates of 3.2% and 3.4% at December 31, 2009 and 2008, respectively. The total receivables from charitable remainder trusts are valued at \$190,290 and \$135,901 at December 31, 2009 and 2008, respectively.

The Council reports realized gain and loss from these trust assets as changes in temporarily restricted net assets, unrealized gain and loss as changes in unrestricted net assets of endowment fund on the statement of activities.

Beneficial Interest in Perpetual Trusts

The Council is the primary income beneficiary of a perpetual trust, originally established in 1952. The terms of the trust provide for distribution of income to the Council for capital project needs. It also provides for continued distribution of income as long as the Council continues to "provide for youth the advantages and training presently characteristic of Boy Scout work".

It is the opinion of legal counsel that the Council has no interest in the corpus, but it does have an ongoing interest in the income stream. Accordingly, this has been valued using annuity calculations of a thirty-year life, the long-term Federal Applicable Rate of 3.2% and an expected distribution of \$23,742 per month, based on an average of the last three years.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 7: Other Assets (continued)

Income from Beneficial Interest in Trusts

Income from the beneficial interest in trusts for the years ended December 31 is as follows:

	<u>2009</u>	<u>2008</u>
Income from Trusts	\$ 222,716	\$ 339,660
Net unrealized gain (loss)	<u>(129,646)</u>	<u>1,317,659</u>
Total	<u>\$ 93,070</u>	<u>\$ 1,657,319</u>

Note 8: Future Commitments and Obligations

Long-term Debt

The Council entered into a mortgage agreement with the Fremont Bank on June 17, 2003, secured by the YLTC building. The loan amount was \$1,566,000 with a three-year interest rate of 5.25%, adjustable every three months after a three-year period. The balance of the note payable at December 31, 2008 was approximately \$1,410,231. In October, 2009, the loan was paid in full, utilizing funds from the Tonningson trust and the SF BSA Trust as noted in Note 6.

Interest expense for the years ended December 31, 2009 and 2008 were \$83,016 and \$106,555, respectively.

Operating Leases

Effective April 2006 the Council entered into a 60-month non-cancelable operating lease agreement to lease two copy machines, which included a minimum monthly usage of 60,000 pages per month and service and supplies on a printer. Total rental expense for the year ended December 31, 2009 was \$17,683. At December 31, 2009, future minimum lease payments under the lease are as follows:

2010	21,792
2011	<u>5,448</u>
\$	<u><u>27,240</u></u>

Line of Credit

In October, 2009, the Council established a line of credit for \$1,250,000 with a local bank secured by the YLTC building. As of December 31, 2009, no funds had been drawn on the line of credit.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 9: Other Revenue

The Council reported other revenue for the years ended December 31, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Operating fund:		
Lease income (see Note 11)	\$ 49,083	\$ 45,917
Sale of donated properties	3,960	(207,415)
Miscellaneous	67,183	98,519
Total other revenue	<u>\$ 120,226</u>	<u>\$ (62,979)</u>

Note 10: Employee Benefits

Retirement Benefits

The Boy Scouts of America has a defined benefit multiemployer retirement plan that covers eligible employees of the National Council and this Council and is administered by the National Council. Eligible employees contribute 2 percent of compensation and the Council contributes an additional 6.25 percent. The plan provides for retirement benefits based on the vested service and credited benefit service of the employee at the time of retirement. To qualify as participant of the plan, employees must be in a full time, regular, year-round position, working at least 21 hours each week and have completed one year of employment before they become eligible to participate. Part-time, temporary employees have a different set of requirements. The normal retirement age is 65. Benefits are subject to certain reductions if the employee retires before age of 65.

As of February 1, 2009, the vested and non-vested benefit obligations for this plan were \$646,536,302 and \$33,977,059 respectively. The plan contained \$987,915,677 in net assets available for benefits.

As of February 1, 2008, the vested and non-vested benefit obligations for this plan were \$735,234,347 and \$37,109,145 respectively. The plan contained \$1,037,144,457 in net assets available for benefits.

Total pension expense for the year ending December 31, 2009 was \$113,715. It was \$98,403 for the year ending December 31, 2008.

If the plan were terminated, the participants would become fully vested in all benefits credited to their account up to that date, to the extent then funded. The assets of the plan would be distributed in the order of priority set forth in the plan text, or as provided by law.

Supplemental Retirement Plan

Employees may supplement their retirement plan by participating in the Thrift Plan and a Tax Deferred Annuity under Section 403(b) of the Internal Revenue Code. The plans have an outside administrator who manages the employee benefit programs.

The plans are classified as defined contribution plans. Participants must have reached the age of 21 and have completed at least one year of service, working at least 1000 hours during the year. The value of the account attributable to employer contributions is fully vested when participants have completed three years of service or reach the age 59 and a half, whichever occurs first. The maximum contribution is limited to the lesser of the maximum as allowed by the IRS, or the employee's maximum excludable allowance.

San Francisco Bay Area Council of the Boy Scouts of America
Notes to the Financial Statements
December 31, 2009 and 2008

Note 10: Employee Benefits (continued)

Supplemental Retirement Plan (continued)

The Council matches 50% of the first 6% of the employee contributions for the Thrift Plan. Total matching contributions made by the Council were approximately \$36,944 and \$31,478 in 2009 and 2008, respectively. The Tax Deferred Annuity allows employees to defer their salaries and the Council does not provide any matching.

Unemployment Insurance

The Council has a self-insurance agreement with the State of California with regard to state unemployment insurance. Unemployment benefits are charged back to the Council directly by the State of California.

Note 11: Related Party Transactions

Floor Space Lease Agreement with National Council BSA

The Council entered into a lease agreement effective February 28, 2007 with the National Council of the Boy Scouts of America to provide approximately 1,225 square feet of floor space for the purpose of operating a National Scout Shop.

The National Council agrees to pay the Council on a monthly basis eight percent of the total net sales of the Shop, and an additional five percent rent on all net sales in excess of \$750,000 per calendar year. The Council may terminate the agreement if the gross sales of the Shop in any calendar year amounts are less than \$250,000 or upon default of any party after notice and reasonable opportunity to cure.

The Council is responsible for all lease improvement costs, maintenance costs, insurance covering the building where the Shop is located.

Both parties agree to waive subrogation against each other in the event of fire damage to the building or its contents. The National Council agrees to indemnify and hold harmless the Council in case of any loss or expenses incurred, or any claim or action arising from operation of the Shop.

Charter and National Service Fee

The National Service provides the Council with many resources provided by the National Council. The resources include services with personnel, engineering service, as well as specialty help in Cub Scouting, Boy Scouting, Venturing and Learning for Life. The Council pays a yearly fee to the National Service for these services.

The related lease revenue and affiliated organization expenses for years ending December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Rental income	\$ 49,083	\$ 45,917
Charter and national service fee	\$ 66,280	\$ 60,417

San Francisco Bay Area Council of the Boy Scouts of America

Notes to the Financial Statements

December 31, 2009 and 2008

Note 11: Related Party Transactions (continued)

Services Agreement with Piedmont Council, BSA

An agreement between the Council and the Piedmont Council, BSA was made effective December 2005 to lease services of one of the Council's District Executives to the Piedmont Council. The District Executive for Piedmont Council worked for the period June 1, 2006 through May 31, 2009, for a base salary plus all applicable benefits thereunder. The Council was reimbursed for all salary, benefits, employer taxes, and other business expenses of the District Executive for this period.

Note 12: Subsequent Event

On February 17, 2010, the Council agreed to provide a bridge loan in the amount of \$125,000 to the Scout Executive to facilitate his relocation to the area. The loan is secured by the Scout Executive's residence in Knoxville, Tennessee and is to be repaid within twelve months at the current federal interest rate. At the time of the loan agreement, the rate was 2.82%.