

ASSISTANCE LEAGUE® OF LOS ANGELES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



TABLE OF CONTENTS

| | <u>Page</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7 - 21 |
| INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 22 - 23 |

INDEPENDENT AUDITORS' REPORT

To the Audit Committee
ASSISTANCE LEAGUE® OF LOS ANGELES
Los Angeles, California

We have audited the accompanying financial statements of Assistance League® of Los Angeles (the "League"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assistance League® of Los Angeles as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the League's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the League's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armanino LLP". The letters are cursive and somewhat stylized.

Armanino^{LLP}
Los Angeles, California

November 30, 2015

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

| | |
|-------------------------------------------|----------------------|
| Cash and Cash Equivalents | \$ 2,626,130 |
| Accounts Receivable | 123,628 |
| Operating Investments | 2,699,693 |
| Prepaid Expenses and Other Assets | 405,369 |
| Property and Equipment Held-for-Sale, net | 558,638 |
| Endowment Investments | 6,843,856 |
| Property and Equipment, net | <u>685,887</u> |
| Total Assets | <u>\$ 13,943,201</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------------------------|----------------------|
| Liabilities | |
| Accounts Payable and Accrued Liabilities | \$ 292,443 |
| Accrued Salaries and Related Expenses | <u>73,808</u> |
| Total Liabilities | <u>366,251</u> |
| Commitments and Contingencies (Note 9) | |
| Net Assets | |
| Unrestricted | |
| Unrestricted - Undesignated | 3,275,829 |
| Unrestricted - Invested in Land, Building and Equipment | 1,579,240 |
| Board-Designated | <u>4,195,295</u> |
| Unrestricted | 9,050,364 |
| Temporarily Restricted | 2,243,496 |
| Permanently Restricted | <u>2,283,090</u> |
| Total Net Assets | <u>13,576,950</u> |
| Total Liabilities and Net Assets | <u>\$ 13,943,201</u> |

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------------------------|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Public Support | | | | |
| Contributions | \$ 68,236 | \$ 856,389 | \$ - | \$ 924,625 |
| Government grants | 517,068 | - | - | 517,068 |
| Contributed goods and rent | 145,185 | - | - | 145,185 |
| Fundraising | <u>312,389</u> | <u>-</u> | <u>-</u> | <u>312,389</u> |
| | <u>1,042,878</u> | <u>856,389</u> | <u>-</u> | <u>1,899,267</u> |
| Revenue | | | | |
| Membership fees and obligations | 85,325 | - | - | 85,325 |
| Program service fees | 2,425,467 | - | - | 2,425,467 |
| Facilities rentals | 385,230 | - | - | 385,230 |
| Other income | <u>20,955</u> | <u>-</u> | <u>-</u> | <u>20,955</u> |
| | <u>2,916,977</u> | <u>-</u> | <u>-</u> | <u>2,916,977</u> |
| Net Assets Released from Restrictions | <u>659,363</u> | <u>(659,363)</u> | <u>-</u> | <u>-</u> |
| Total Revenue and Support | <u>4,619,218</u> | <u>197,026</u> | <u>-</u> | <u>4,816,244</u> |
| Functional Expenses | | | | |
| Program services | 3,776,272 | - | - | 3,776,272 |
| Management and general | 495,674 | - | - | 495,674 |
| Fundraising | <u>524,863</u> | <u>-</u> | <u>-</u> | <u>524,863</u> |
| | <u>4,796,809</u> | <u>-</u> | <u>-</u> | <u>4,796,809</u> |
| Changes in Net Assets from Operations | <u>(177,591)</u> | <u>197,026</u> | <u>-</u> | <u>19,435</u> |
| Investment Results and Other | | | | |
| Investment interest and dividends | 255,875 | - | - | 255,875 |
| Realized gains on sales of investments | 120,510 | - | - | 120,510 |
| Unrealized losses on investments | (545,058) | (57,670) | - | (602,728) |
| Loss on disposals of property and equipment | (32,748) | - | - | (32,748) |
| Gain on sale of land and buildings (see Note 4) | 5,764,899 | - | - | 5,764,899 |
| Grant to affiliate organization (see Note 4) | <u>(10,600,000)</u> | <u>-</u> | <u>-</u> | <u>(10,600,000)</u> |
| | <u>(5,036,522)</u> | <u>(57,670)</u> | <u>-</u> | <u>(5,094,192)</u> |
| Changes in Net Assets | (5,214,113) | 139,356 | - | (5,074,757) |
| Net Assets, beginning of year | <u>14,264,477</u> | <u>2,104,140</u> | <u>2,283,090</u> | <u>18,651,707</u> |
| Net Assets, end of year | <u>\$ 9,050,364</u> | <u>\$ 2,243,496</u> | <u>\$ 2,283,090</u> | <u>\$ 13,576,950</u> |

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------------------------------|-------------------------|-----------------------------------|--------------------|---------------------|
| Personnel Expenses | | | | |
| Salaries and wages | \$ 1,440,971 | \$ 89,379 | \$ 168,220 | \$ 1,698,570 |
| Employee benefits | 220,626 | 13,685 | 25,756 | 260,067 |
| Payroll taxes | <u>127,850</u> | <u>7,930</u> | <u>14,925</u> | <u>150,705</u> |
| | <u>1,789,447</u> | <u>110,994</u> | <u>208,901</u> | <u>2,109,342</u> |
| Other Expenses | | | | |
| Advertising and recruiting | 4,283 | 18 | 903 | 5,204 |
| Assistance to individuals | 356,963 | - | - | 356,963 |
| Bad debt expense | - | 20,272 | - | 20,272 |
| Depreciation and amortization | 71,689 | 4,447 | 8,369 | 84,505 |
| Dues, fees and conferences | 25,533 | 1,619 | 8,891 | 36,043 |
| Equipment | 1,116 | - | - | 1,116 |
| Insurance | 183,662 | 9,299 | 17,500 | 210,461 |
| Mileage reimbursement, transportation and travel | 42,578 | 26 | 139 | 42,743 |
| Miscellaneous | 12,684 | 6,651 | 3,132 | 22,467 |
| Occupancy | 386,589 | 9,963 | 17,743 | 414,295 |
| Office and technology supplies | 77,102 | 1,755 | 2,989 | 81,846 |
| Printing, copying, postage and publishing | 50,041 | 2,273 | 9,611 | 61,925 |
| Professional fees and service contracts | 556,322 | 262,418 | 95,538 | 914,278 |
| Program costs | 22,968 | - | - | 22,968 |
| Program supplies - nutrition- related costs | 51,237 | - | - | 51,237 |
| Special events | - | - | 139,893 | 139,893 |
| Taxes, licenses, and fees | 484 | 62,674 | - | 63,158 |
| Telephone expense | 102,400 | 2,675 | 6,213 | 111,288 |
| Vehicle expense | 6,085 | 51 | 95 | 6,231 |
| Website and internet | <u>35,089</u> | <u>539</u> | <u>4,946</u> | <u>40,574</u> |
| | <u>1,986,825</u> | <u>384,680</u> | <u>315,962</u> | <u>2,687,467</u> |
| Total Functional Expenses | <u>\$ 3,776,272</u> | <u>\$ 495,674</u> | <u>\$ 524,863</u> | <u>\$ 4,796,809</u> |
| | <u>79 %</u> | <u>10 %</u> | <u>11 %</u> | <u>100 %</u> |

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---------------------------------------------------------------------------------------------|---------------------|
| Cash Flows from Operating Activities | |
| Changes in net assets | \$ (5,074,757) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | |
| Depreciation and amortization | 84,505 |
| Loss on disposals of property and equipment | 32,748 |
| Gain on sale of land and buildings | (5,764,899) |
| Grant of sale proceeds to Friends of the League Foundation | 10,600,000 |
| Decrease in allowance for doubtful accounts | (11,231) |
| Contribution of investments | (12,192) |
| Realized and unrealized losses on investments | 482,218 |
| (Increase) decrease in operating assets | |
| Accounts receivable | 575,695 |
| Prepaid expenses and other assets | (59,653) |
| Increase (decrease) in operating liabilities | |
| Accounts payable and accrued liabilities | (254,870) |
| Accrued salaries and related expenses | <u>(12,807)</u> |
| Net Cash Provided by Operating Activities | <u>584,757</u> |
| Cash Flows from Investing Activities | |
| Net proceeds from sale of land and buildings | 10,846,578 |
| Grant of sale proceeds to Friends of the League Foundation | (10,600,000) |
| Purchases of property and equipment | (62,703) |
| Proceeds from sales of investments | 2,315,663 |
| Purchases of investments and reinvestment of earnings, net of fees | <u>(2,564,215)</u> |
| Net Cash Used in Investing Activities | <u>(64,677)</u> |
| Net Increase in Cash and Cash Equivalents | 520,080 |
| Cash and Cash Equivalents, beginning of year | <u>2,106,050</u> |
| Cash and Cash Equivalents, end of year | <u>\$ 2,626,130</u> |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES

| | |
|--------------------------------------------------------------------------------------|-------------------|
| Reclassification from Property and Equipment to Property and Equipment Held-for-Sale | <u>\$ 558,638</u> |
|--------------------------------------------------------------------------------------|-------------------|

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - ORGANIZATION AND OPERATIONS

The mission of Assistance League® of Los Angeles (the "League") since 1919 has been to improve the quality of the lives of at-risk children and families by providing vital social services in the Los Angeles community.

The League has eight fundraising auxiliaries that support its programs and provide leadership and volunteer opportunities for its membership. All program and auxiliary activities are reported within these financial statements.

A summary of the numbers of children and families served and the volunteer hours to support those efforts are provided below:

| | <u>Number Served (Unaudited)</u> |
|-----------------------------------|--------------------------------------|
| Foster Children's Resource Center | 1,800 |
| Hollywood Children's Club | 25 |
| Operation School Bell | 5,300 |
| Preschool Learning Center | 50 |
| Theatre for Children | <u>15,000</u> |
| Total | <u>22,175</u> |

| | <u>Volunteer Hours (Unaudited)</u> |
|----------------------|--------------------------------------------|
| Anne Banning | 10,120 |
| Bookworms | 1,167 |
| College Alumnae | 784 |
| Founder Assisteens | 1,934 |
| Hilltoppers | 8,080 |
| Mannequins | 4,128 |
| Nine O'Clock Players | 8,545 |
| Pre-School | <u>671</u> |
| Total | <u>35,429</u> |

Based on the U.S. Department of Labor, Bureau of Labor Statistics valuation of volunteer time for fiscal year ended June 30, 2015, the League benefited from approximately \$825,000 of volunteer services. The League does not include this amount in the reported results, but greatly appreciates all the support of its volunteers.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Operation School Bell

Operation School Bell provides underserved and at-risk school children with new clothing and supplies. Children from disadvantaged circumstances have improved school attendance and increased academic success when they do not 'wear their poverty.' Children are given uniforms, jackets, shoes, grooming kits, backpacks and school supplies at the League's Hollywood location and via the mobile facility Operation School Bell on Wheels.

Theatre for Children

Theatre for Children is the oldest children's theatre in Los Angeles, bringing the joy of live theatre to thousands of children every year. The productions are offered free of charge to children from at-risk neighborhoods along with free bus transportation. Tickets are available at reduced rates to school groups and for a nominal fee to the public on weekends. The League strives to offer children in Los Angeles the magic of live theatre.

Foster Children's Resource Center

Foster Children's Resource Center assists children who upon entering foster care or in a crisis situation are sometimes moved suddenly with few personal possessions beyond the clothes that they are wearing. Children are referred to the League through the Department of Children and Family Services. The League provides them with school uniforms, play clothes, jackets, backpacks, school supplies and grooming kits to bolster their self-esteem during a difficult and vulnerable time in their lives.

Preschool Learning Center

Preschool Learning Center develops academic skills in children and encourages their social, emotional, cognitive, creative and physical development. Studies show that children who attend pre-school outperform their peers academically and are more likely to go to college. The League's nationally accredited Preschool provides the first school experience free of charge to children ages three to five from low-income families.

Hollywood Children's Club

Hollywood Children's Club serves children and families in crisis in the Hollywood area. Families are referred to the League through the Department of Children and Family Services, LAUSD's homeless task force, social workers and other agencies. Recipient families receive clothing, diapers, school supplies and hygiene kits to support the children's attendance in school and ease financial pressures at home.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Court Referred Volunteer Center

The League's Court Referred Volunteer Center ("CRVC") operates as a social enterprise providing funding to support League programs. CRVC is located in seven courthouses throughout Los Angeles County where it refers clients sent from the courts to nonprofit agencies throughout Los Angeles County to fulfill their volunteer requirements to the courts. CRVC connected more than 38,000 Angelenos to community services opportunities referring more than 3,500,000 volunteer hours.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

The League is a nonprofit public benefit corporation organized under the laws of California, and, as such, is exempt from federal and California income taxes under IRC Section 501(c)(3) and corresponding California Revenue and Taxation Code sections.

The League's federal tax informational returns for tax years ended June 30, 2012, and subsequent remain open to examination by the Internal Revenue Service. The returns for California, the League's only state tax jurisdiction, remain open to examination by the California Franchise Tax Board for tax years ended June 30, 2011, and subsequent.

Net Assets

The League reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted (see Note 7).

Unrestricted Net Assets

Unrestricted Undesignated Net Assets are currently available for use by the League or were received with donor restrictions that were satisfied in the same period.

Unrestricted Invested in Land, Building and Equipment Net Assets includes unrestricted net assets the League currently has invested in property and equipment, net of any debt.

Unrestricted Board-Designated Net Assets includes unrestricted net assets designated by the Board of Directors (the "Board") for specific purposes or programs.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are restricted by donors for specific purposes, restricted for use in specific future periods, or subject to both a purpose and a time restriction. Restricted contributions received are classified as unrestricted if the restrictions are met within the same reporting period.

Permanently Restricted Net Assets

Permanently Restricted Net Assets are restricted by donors in perpetuity as endowments. Earnings from permanently restricted net assets are classified as temporarily restricted until they have been appropriated for expenditure.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses reported during the period. Actual results could differ from these estimates.

Endowments

Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions (see Note 6).

Cash and Cash Equivalents

Cash equivalents consist of highly-liquid investments with original maturities of three months or less, except for certain money market account balances included in investments (see Note 3).

Accounts Receivable

Accounts receivable are comprised of grants and contracts receivable from federal, state and local governments and current receivables from private funders and contributors. Management analyzes the collectability of these receivables and establishes an allowance for doubtful accounts when the receivable is deemed uncollectible. As of June 30, 2015, management believes 100% of accounts receivable is collectible, and thus there is no allowance for doubtful accounts.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Endowment Investments

Endowment investments are stated at fair value based on a hierarchy discussed in Note 3. Purchases and sales of securities are recorded on trade dates. Interest and dividend income and realized and unrealized gains and losses on investments are reported as increases or decreases to unrestricted net assets, unless the use is restricted by donor stipulations or law.

Property and Equipment

Property and equipment used in the operations of the League are stated at cost or, if contributed, at the fair value at the date of contribution. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or the term of the lease for leasehold improvements as follows:

| | |
|----------------------------|---------------|
| Land improvements | 15 - 20 years |
| Buildings and improvements | 40 years |
| Furniture and fixtures | 5 - 7 years |
| Office and other equipment | 5 years |
| Vehicles | 5 years |
| Computer equipment | 3 years |

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the League during the year.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized when made. All contributions are available for unrestricted use unless restricted by the donor. Temporarily restricted contributions that are expended in the current year are reported as unrestricted. At its discretion, the Board may designate unrestricted contributions for specific purposes (see Note 7).

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Goods, Rent, and Services

The League receives contributions of goods, rent, and services. Contributed goods include supplies, meals, and equipment that are used in programs that serve children and families and are recorded at fair value when received. The League also receives free use of a building for its Children's Services (see Note 8). A substantial number of volunteers have donated significant amounts of time to the League's program and fundraising activities. The value of these donated services is not reflected in the financial statements as they do not meet the U.S. GAAP recognition criteria.

Functional Expenses

The League allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimated level of effort or estimated physical space attributed to programs, support, and fundraising.

For programs reimbursed by the federal government, the League charges overhead costs totaling 16.6% under a cost allocation plan approved by the U.S. Department of Health and Human Services.

Occupancy

Occupancy includes expenses for security, utilities, trash and regular servicing for elevators, alarms, landscaping and other directly-paid costs for maintaining the buildings and property of the League. Additionally, rents and related costs to maintain facilities that are not owned by the League are included within occupancy expenses.

Concentrations of Risk

Some of the League's cash balances exceed FDIC-insured limits. Investment balances are insured by the Securities Investor Protection Corporation ("SIPC"). Generally, the League's investment balances exceed SIPC-insured limits. The League has not experienced and does not anticipate any losses related to the cash and investments held in these accounts.

The League received funds from one government source which comprised 11% of total revenue during the year and 6% of accounts receivable at June 30, 2015.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The League has evaluated events subsequent to June 30, 2015, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 30, 2015, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 4.

NOTE 3 - INVESTMENTS

The League reports its operating and endowment investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3, of which there were none at June 30, 2015).

Investments consist of the following:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|----------------------------|--------------------------|--------------------|----------------------------|
| Mutual funds | \$ 4,353,702 | \$ - | \$ - | \$ 4,353,702 |
| Equities | 4,221,030 | - | - | 4,221,030 |
| Corporate bonds | - | 507,200 | - | 507,200 |
| Government securities | 209,690 | 33,918 | - | 243,608 |
| Money market accounts | <u>218,009</u> | <u>-</u> | <u>-</u> | <u>218,009</u> |
| Total | <u>\$ 9,002,431</u> | <u>\$ 541,118</u> | <u>\$ -</u> | <u>\$ 9,543,549</u> |

Activity in the investments during the year was as follows:

| | |
|--------------------------------------------------------------------|----------------------------|
| Balance, beginning of year | \$ 9,765,023 |
| Proceeds from sales of investments | (2,315,663) |
| Purchases of investments and reinvestment of earnings, net of fees | 2,564,215 |
| Contributed investments | 12,192 |
| Realized gains on sales of investments | 120,510 |
| Unrealized losses on investments | (602,728) |
| Balance, end of year | <u>\$ 9,543,549</u> |

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 3 - INVESTMENTS (Continued)

At June 30, 2015, investments are categorized as follows:

| | | |
|------------------------|----|-------------------------|
| Endowment (see Note 6) | \$ | 6,843,856 |
| Operating | | <u>2,699,693</u> |
| | \$ | <u><u>9,543,549</u></u> |

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>In Use</u> | <u>Held-for-Sale</u> | <u>Total</u> |
|-------------------------------------------|-------------------|----------------------|---------------------|
| Land | \$ 268,967 | \$ 126,592 | \$ 395,559 |
| Land improvements | - | 24,400 | 24,400 |
| Buildings and improvements | - | 1,381,913 | 1,381,913 |
| Leasehold improvements | 434,444 | 108,852 | 543,296 |
| Furniture and fixtures | 582,666 | - | 582,666 |
| Computer equipment | 57,744 | - | 57,744 |
| Vehicles | 81,515 | - | 81,515 |
| Office and other equipment | 52,120 | 22,353 | 74,473 |
| Website in progress | <u>41,350</u> | <u>-</u> | <u>41,350</u> |
| | 1,518,806 | 1,664,110 | 3,182,916 |
| Accumulated depreciation and amortization | <u>(832,919)</u> | <u>(770,757)</u> | <u>(1,603,676)</u> |
| | <u>\$ 685,887</u> | <u>\$ 893,353</u> | <u>\$ 1,579,240</u> |

On June 30, 2015, the League sold its properties at 1360 and 1370 North St. Andrews Place and immediately granted and transferred \$10,600,000 of the proceeds to the affiliated organization Volunteer Los Angeles, dba Friends of the League Foundation (the "Foundation"). The Foundation was established for the exclusive benefit of the League. The Foundation funds will be invested and will be distributed annually to the League according to a spending plan and will be used to offset administrative costs so that League fundraising can directly benefit the services of the League. The Foundation funds will also be used to acquire a permanent chapter house in the future.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

The following is a summary of the resulting gain on sale recognized:

| | |
|-------------------------------------------|---------------------|
| Gross Sale Proceeds | \$ 11,450,000 |
| Selling Expenses | <u>(603,422)</u> |
| Net Proceeds | 10,846,578 |
| Cost Basis of Property and Equipment, net | <u>(5,081,679)</u> |
| Gain on Sale of Land and Buildings | <u>\$ 5,764,899</u> |

On August 31, 2015, the League sold its properties at 1363-1367 St. Andrews, 1375 St. Andrews, 5620 De Longpre and 5607 Fernwood for gross proceeds of \$9,225,000. Accordingly, the net book value of these assets less the corresponding asset retirement obligation, as of June 30, 2015 (\$558,638), has been presented as property and equipment held-for-sale in the accompanying statement of financial position. The net proceeds from this sale were also granted to the Foundation.

Subsequent to this August 31, 2015, sale, the League continues to own the Fernwood parking lot and also has a 95-year lease on the Assistance League Playhouse. Management is currently in negotiations, subject to City of Los Angeles permits, to swap the parking lot for the Assistance League Playhouse.

NOTE 5 - ASSET RETIREMENT OBLIGATION

The League has estimated the fair value of the cost to provide asbestos remediation to be \$334,715 as of June 30, 2015, and it is subtracted from net property and equipment held-for-sale on the accompanying statement of financial position. There was no accretion expense during the year as this property is held-for-sale on the statement of financial position (see Note 4), and the remaining liability will reduce the gain on sale of the properties when sold (August 2015).

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - ENDOWMENTS

The League endowments and quasi-endowments consist of pooled funds established for the purposes as described below. The Board has interpreted the California Uniform Prudent Management of Institutional Funds Act ("Cal UPMIFA") as requiring the preservation of the fair value of donor-restricted endowment funds. Donor-restricted endowment funds not classified as permanently restricted are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with donor intentions and the standard of prudence prescribed by Cal UPMIFA.

In accordance with Cal UPMIFA, the League 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 League 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 League
- (7) The investment policies of the League.

Return Objectives and Risk Parameters

The League has adopted investment and spending policies for endowment assets to provide for growth and income for its endowment assets. This is a balanced approach that seeks long-term growth in capital along with significant current income that will earn returns in excess of a passive set of market indices representative of the invested portfolio's asset allocation. Endowment assets include those assets of donor-restricted funds classified as permanently and temporarily restricted net assets as well as Board-designated funds. Under the investment policy, endowment assets are invested to return 6% on a compound annual return basis after the deduction of management fees and annualized over three five-year rolling time periods and a full market cycle. Actual returns in any given year may vary from this amount.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the League relies on diversification through asset allocation with the targets for invested assets as follows: equities 45%, fixed income 45%, and commodities and other investments 10%. Management, members of the Finance Committee, and the League investment advisors meet regularly to ensure the strategies and investment performance are appropriate for the League.

Spending Policy and How Investment Objectives Relate to Spending Policy

The League's spending policy provides for a distribution of 3.6% annually, calculated over twelve trailing quarters. By special resolution, any amount of the Board-designated endowment may be withdrawn for any purpose consistent with the mission of the League, and any amount of temporarily restricted term endowments may be appropriated for expenditure in accordance with the donors' specific instructions. During the year ended June 30, 2015, \$179,558 was distributed from the unrestricted Board-designated endowment and \$86,857 from the temporarily restricted term endowment.

Endowment Net Asset Composition by Type of Fund

Endowment net assets are classified as follows:

| | Unrestricted | <u>Donor-Restricted</u> | | |
|------------------------|---------------------|-------------------------|---------------------|---------------------|
| | Board- | Temporarily | Permanently | |
| | <u>Designated</u> | <u>Restricted</u> | <u>Restricted</u> | <u>Total</u> |
| Operation School Bell | \$ 30,175 | \$ 435,076 | \$ 60,000 | \$ 525,251 |
| Theatre for Children | - | 750,209 | 734,587 | 1,484,796 |
| Family Resource Center | - | 25,429 | 811,433 | 836,862 |
| Children's Services | - | 109,461 | 549,628 | 659,089 |
| Senior Services | - | 19,134 | 100,000 | 119,134 |
| General Endowment | <u>3,185,871</u> | <u>5,411</u> | <u>27,442</u> | <u>3,218,724</u> |
| | <u>\$ 3,216,046</u> | <u>\$ 1,344,720</u> | <u>\$ 2,283,090</u> | <u>\$ 6,843,856</u> |

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 6 - ENDOWMENTS (Continued)

Changes in Endowment Net Assets During the Year

Activity in the endowments during the year was as follows:

| | Unrestricted Board- <u>Designated</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
|----------------------------------------------------|---------------------------------------------|----------------------------------|----------------------------------|---------------------|
| Balance, June 30, 2014 | \$ 3,490,266 | \$ 1,489,247 | \$ 2,283,090 | \$ 7,262,603 |
| Contributions | 12,622 | - | - | 12,622 |
| Investment earnings, net | (107,284) | (57,670) | - | (164,954) |
| Appropriated for expenditure and distributed | <u>(179,558)</u> | <u>(86,857)</u> | <u>-</u> | <u>(266,415)</u> |
| Balance, June 30, 2015 | <u>\$ 3,216,046</u> | <u>\$ 1,344,720</u> | <u>\$ 2,283,090</u> | <u>\$ 6,843,856</u> |

NOTE 7 - NET ASSETS

The League has net assets that fall into one of three categories - unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets may be designated by the Board for specific purposes, as described below. Temporarily restricted net assets have been designated by donors for specific purposes as described below. Permanently restricted net assets are detailed in Note 6.

Unrestricted Board-Designated Net Assets

At June 30, 2015, unrestricted Board-designated net assets are as follows:

| | |
|------------------------------------------------------|---------------------|
| Unrestricted Board-designated endowment (see Note 6) | \$ 3,216,046 |
| Theatre for Children | 327,895 |
| Preschool Learning Center | 289,841 |
| Operation School Bell - inventory | 228,276 |
| Foster Children's Resource Center - inventory | 49,097 |
| NOP Capital Improvements | 30,000 |
| Auxiliary carryover | <u>54,140</u> |
| | <u>\$ 4,195,295</u> |

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 7 - NET ASSETS (Continued)

Temporarily Restricted Net Assets

Activity in temporarily restricted net assets during the year was as follows:

| | <u>Releases from Restrictions</u> | <u>Balance, June 30, 2015</u> |
|----------------------------------------------|-------------------------------------------|---------------------------------------|
| Donor-restricted term endowment (see Note 6) | \$ (86,857) | \$ 1,344,720 |
| Operation School Bell | (410,158) | 541,791 |
| Theatre for Children | (51,054) | 23,870 |
| Foster Children's Resource Center | (38,818) | 154,182 |
| Hollywood Children's Club | (5,158) | 18,136 |
| Children's Services | (49,183) | 84,488 |
| NOP Capital Improvements | - | 28,000 |
| Bekins Grant - NOP Facility Repairs | <u>(18,135)</u> | <u>48,309</u> |
| | <u>\$ (659,363)</u> | <u>\$ 2,243,496</u> |

NOTE 8 - CONTRIBUTED GOODS AND RENT

Contributed goods and rent during the year were as follows:

| | | |
|---------------------------|-------------------|--|
| Rent | \$ 105,777 | |
| Assistance to individuals | 37,349 | |
| Miscellaneous | <u>2,059</u> | |
| | <u>\$ 145,185</u> | |

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Retirement Plan

The League offers an IRC Section 401(k) plan (the "Plan") to its employees who are at least 21 years old and have completed six months and 500 hours of service. Plan participants are permitted to defer up to 20% of their compensation and the League will match 25% of the first 4% of contributions. Employer contributions vest after six years of service. For the year ended June 30, 2015, the League contributed \$6,153 as matching contributions.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

Upon the sale of its properties at 1360 and 1370 North St. Andrews Place, described in Note 4, the League began a 3-year lease of its new headquarters through June 2018. In addition, the League leases certain equipment and other facilities under noncancellable operating leases expiring various dates through 2021.

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

| <u>Year Ending June 30,</u> | <u>Facilities</u> | <u>Equipment</u> | <u>Total</u> |
|--------------------------------------------------|-------------------|------------------|-------------------|
| 2016 | \$ 266,532 | \$ 10,382 | \$ 276,914 |
| 2017 | 271,123 | 8,624 | 279,747 |
| 2018 | 274,562 | 6,213 | 280,775 |
| 2019 | 9,351 | 5,795 | 15,146 |
| 2020 | - | 3,205 | 3,205 |
| Thereafter | <u>-</u> | <u>2,938</u> | <u>2,938</u> |
| | <u>\$ 821,568</u> | <u>\$ 37,157</u> | <u>\$ 858,725</u> |
| Rent expense for the year under operating leases | <u>\$ 40,423</u> | <u>\$ 9,980</u> | <u>\$ 50,403</u> |

Litigation

In the normal course of operations, the League is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies, none of which is expected to have a materially adverse impact on the League.

Government Grants

Certain programs of the League receive funding and support from local, state or federal governments. Accordingly, these programs are subject to audit that could result in adjustments. Management believes that liabilities, if any, resulting from any such audits will not have a material effect on the financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10 - FUNDRAISING INCOME

The chapter conducts various fundraising events and activities to help fund current operations. The revenue and related expenses from such events and activities for the years ending June 30, 2015, are as follows:

| | <u>Revenue</u> | <u>Cost of Merchandise Sold</u> | <u>Cost of Direct Benefits to Attendees</u> | <u>Other Costs</u> | <u>Net Revenue</u> |
|-----------------------------------|-------------------|-----------------------------------------|-----------------------------------------------------|--------------------|--------------------|
| Operation School Bell A | | | | | |
| Spring Affaire | \$ 117,032 | \$ 1,950 | \$ 32,359 | \$ 1,375 | \$ 81,348 |
| Founders' Day | 7,855 | - | 3,624 | 656 | 3,575 |
| Mannequins Afternoon with Eve | 110,904 | - | 21,791 | 11,035 | 78,078 |
| College Alumnae Association | | | | | |
| Champagne Luncheon | 19,094 | - | 5,181 | 1,108 | 12,805 |
| Assisteens Catwalk for a Cause | 27,584 | - | 13,577 | 1,957 | 12,050 |
| Pre-School Auxiliary Polo Day | <u>29,920</u> | <u>-</u> | <u>12,042</u> | <u>1,631</u> | <u>16,247</u> |
| | <u>\$ 312,389</u> | <u>\$ 1,950</u> | <u>\$ 88,574</u> | <u>\$ 17,762</u> | <u>\$ 204,103</u> |

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee
ASSISTANCE LEAGUE® OF LOS ANGELES
Los Angeles, California

We have audited, in accordance with U.S. GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S., the financial statements of Assistance League® of Los Angeles (the "League") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the League's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the League's internal control. Accordingly, we do not express an opinion on the effectiveness of the League's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the League's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the League's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the League's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The letters are cursive and somewhat stylized.

Armanino^{LLP}
Los Angeles, California

November 30, 2015