

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Audit Committee  
**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**  
Los Angeles, California

We have audited the accompanying statement of financial position of Assistance League of Southern California ("ALSC") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of ALSC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (the "U.S.") 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 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.

The supplemental information included on pages 24 - 26 is presented for purposes of additional analysis and is not a required part of these financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the U.S. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assistance League of Southern California as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the U.S.



#### INDEPENDENT AUDITORS' REPORT (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2011, on our consideration of ALSC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read 'RBZ. LLP'.

November 6, 2011

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2011**

**ASSETS**

Cash and cash equivalents	\$ 1,317,249
Cash designated for special purposes	1,724,726
Accounts receivable	1,539,885
Prepaid expenses and other assets	367,896
Investments	6,448,423
Property and equipment, net	<u>7,688,771</u>
Total Assets	<u>\$ 19,086,950</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable and accrued liabilities	\$ 1,205,647
Accrued salaries and related expenses	694,388
Mortgage payable	<u>174,547</u>
Total Liabilities	<u>2,074,582</u>
Commitments and Contingencies (Note 12)	
Net Assets	
Unrestricted	
Unrestricted - undesignated	61,904
Unrestricted - invested in land, building and equipment	7,213,639
Board-designated	<u>5,027,703</u>
Unrestricted	12,303,246
Temporarily restricted	2,407,115
Permanently restricted	<u>2,302,007</u>
Total Net Assets	<u>17,012,368</u>
	<u>\$ 19,086,950</u>

See accompanying notes to financial statements.

# ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support				
Contributions	\$ 2,747,890	\$ 66,558	\$ 5,625	\$ 2,820,073
Government grants	7,383,434	-	-	7,383,434
Contributed goods and services	499,132	-	-	499,132
Fundraising	<u>221,924</u>	<u>-</u>	<u>-</u>	<u>221,924</u>
	<u>10,852,380</u>	<u>66,558</u>	<u>5,625</u>	<u>10,924,563</u>
Revenue, Gains and Losses				
Membership fees and obligations	63,115	12,340	-	75,455
Program service fees	4,784,892	-	-	4,784,892
Investment income	103,792	106,999	-	210,791
Gift shop, net of related expenses totaling \$107,981	(32,135)	-	-	(32,135)
Other income	<u>155,601</u>	<u>-</u>	<u>-</u>	<u>155,601</u>
	<u>5,075,265</u>	<u>119,339</u>	<u>-</u>	<u>5,194,604</u>
Net Assets Released from Restrictions	<u>19,963</u>	<u>(19,963)</u>	<u>-</u>	<u>-</u>
	<u>15,947,608</u>	<u>165,934</u>	<u>5,625</u>	<u>16,119,167</u>
Functional Expenses				
Program service	12,100,390	-	-	12,100,390
Supporting services	2,048,901	-	-	2,048,901
Fundraising	<u>435,851</u>	<u>-</u>	<u>-</u>	<u>435,851</u>
	<u>14,585,142</u>	<u>-</u>	<u>-</u>	<u>14,585,142</u>
Changes in Net Assets from Operations	<u>1,362,466</u>	<u>165,934</u>	<u>5,625</u>	<u>1,534,025</u>
Realized gains on sale of investments	108,239	92,607	-	200,846
Unrealized gains on investments	<u>247,747</u>	<u>285,164</u>	<u>-</u>	<u>532,911</u>
Changes in Net Assets	1,718,452	543,705	5,625	2,267,782
Net Assets, beginning of year, as restated (see Note 8)	<u>10,584,794</u>	<u>1,863,410</u>	<u>2,296,382</u>	<u>14,744,586</u>
Net Assets, end of year	<u>\$ 12,303,246</u>	<u>\$ 2,407,115</u>	<u>\$ 2,302,007</u>	<u>\$ 17,012,368</u>

See accompanying notes to financial statements.

# ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA

## STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries and wages	\$ 5,902,574	\$ 1,018,791	\$ 105,542	\$ 7,026,907
Employee benefits	763,171	99,557	5,240	867,968
Payroll taxes	<u>532,583</u>	<u>80,224</u>	<u>9,038</u>	<u>621,845</u>
	7,198,328	1,198,572	119,820	8,516,720
Other Expenses				
Advertising and recruiting	13,038	1,712	744	15,494
Assistance to individuals	450,718	-	-	450,718
Dues, fees and conferences	72,367	37,226	29,910	139,503
Equipment	356,992	11,975	-	368,967
Insurance	107,423	63,346	-	170,769
Occupancy	727,849	149,313	694	877,856
Office and technology supplies	338,182	76,491	11,738	426,411
Participant expense	670,781	1,079	22,096	693,956
Printing, copying, postage and publishing	123,493	36,375	20,838	180,706
Professional fees and service contracts	398,089	275,680	5,129	678,898
Program supplies - nutrition-related costs	557,004	-	-	557,004
Program supplies - other costs	327,527	-	-	327,527
Special events	-	-	205,545	205,545
Taxes and licenses	28,239	65,749	9,106	103,094
Telephone	152,216	17,367	-	169,583
Travel	122,137	4,335	97	126,569
Vehicle expense	84,227	-	-	84,227
Interest	3,089	16,135	-	19,224
Depreciation and amortization	354,572	58,441	-	413,013
Accretion of asset retirement obligation	-	10,585	-	10,585
Miscellaneous	<u>14,119</u>	<u>24,520</u>	<u>10,134</u>	<u>48,773</u>
Total Functional Expenses	<u>\$ 12,100,390</u>	<u>\$ 2,048,901</u>	<u>\$ 435,851</u>	<u>\$ 14,585,142</u>

See accompanying notes to financial statements.

# ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities	
Changes in net assets	\$ 2,267,782
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	413,013
Accretion of asset retirement obligation	10,585
Realized and unrealized gains on investments	(733,757)
(Increase) decrease in operating assets	
Contribution to permanently restricted net assets	(5,625)
Accounts receivable	(400,463)
Prepaid expenses and other assets	(75,498)
Increase (decrease) in operating liabilities	
Accounts payable and other accrued liabilities	312,322
Accrued salaries and related expenses	<u>68,803</u>
Net Cash Provided by Operating Activities	<u>1,857,162</u>
Cash Flows from Investing Activities	
Capital expenditures	(169,300)
Purchases of investments	(3,094,843)
Proceeds from sale of investments	2,768,530
Cash designated for special purposes	<u>(1,374,220)</u>
Net Cash Used in Investing Activities	<u>(1,869,833)</u>
Cash Flows from Financing Activities	
Principal payments on mortgage payable	(23,612)
Principal payments on note payable	(63,514)
Contributions to permanently restricted net assets	<u>5,625</u>
Net Cash Used in Financing Activities	<u>(81,501)</u>
Net Decrease in Cash and Cash Equivalents	(94,172)
Cash and Cash Equivalents, beginning of year	<u>1,411,421</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,317,249</u>

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid during the Year for Interest	<u>\$ 19,224</u>
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See accompanying notes to financial statements.



# **ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **NOTE 1 - ORGANIZATION AND OPERATIONS**

Assistance League of Southern California ("ALSC") serves the greater Los Angeles community with dedicated staff and volunteers through four program agencies (Children's Services, Family Service Agency, Hollywood Senior Multipurpose Center, and Volunteer Center of Los Angeles), three volunteer-run programs (Children's Theatre, Foster Children's Resource Center, and Operation School Bell) and nine fundraising auxiliaries, of which all activity is included within these financial statements.

#### Children's Services

The Learning Center for Young Children offers early child care and educational programs for children up to five years of age in a structured, nurturing environment to meet development needs. An after-school program at Children's Club includes academic enrichment, mentoring and sports programs for children from 5 to 12 years old.

#### Family Service Agency ("FSA")

FSA keeps families safe and strong through the Family Preservation Program, and provides resources to help parents and individuals meet emotional and economic challenges in Hollywood, Pasadena, Pomona and the San Fernando Valley.

#### Hollywood Senior Multipurpose Center ("HSMPC")

HSMPC is the home of aging-in-place and wellness programs for area seniors including congregate meals served at eight area dining centers, home delivered meals and a full calendar of health, fitness and social activities.

#### Volunteer Center of Los Angeles ("VCLA")

VCLA connects people and businesses to organizations that benefit from their involvement through operating a court referral program, Senior Corps program for older volunteers, and organizing the recruitment of medical volunteers in advance of public health emergencies.

#### Children's Theatre

The Theatre for Children presents live theatre productions to audiences that include physically, mentally or economically disabled children.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Foster Children's Resource Center ("FCRC")

FCRC provides foster children and those in relative care with necessary clothing and sundries.

Operation School Bell ("OSB")

OSB provides appropriate school clothing to Los Angeles Unified School district children from impoverished circumstances to promote learning, improve school attendance and enhance self-esteem.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Income Tax Status

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

ALSC's federal income tax and informational returns for tax years ending June 30, 2008, and subsequent remain open to examination by the Internal Revenue Service. The returns for California, ALSC's only state tax jurisdiction, remain open to examination by the California Franchise Tax Board for tax years ending June 30, 2007, and subsequent.

Net Assets

ALSC reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

*Unrestricted Net Assets* - are currently available for use by ALSC or were received with donor restrictions that were satisfied in the same period. Unrestricted net assets may be designated by the Board of Directors (the "Board") either for specific purposes or for investment (see Note 8).

*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* - 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 revenues 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 9).

Cash and Cash Equivalents

Cash equivalents consist of highly-liquid investments with original maturities of three months or less. In addition to the cash and cash equivalents reported on the statement of financial position, cash and cash equivalents totaling \$1,212,133 are also included within investments and cash and cash equivalents totaling \$1,724,726 not used in operations are reported as cash designated for special purposes on the statement of financial position.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are comprised of grants and contracts receivable from the 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, 2011, management has determined substantially all grants, contract and other receivables are collectible, but has provided for a general allowance for doubtful accounts totaling \$10,000.

Investments

Investments are stated at fair value based on a hierarchy discussed in Note 3.

Purchases and sales of securities are recorded on trade dates. There were no outstanding purchases or sales transactions as of June 30, 2011.

Interest and dividend income and realized and unrealized gains and losses on investments are reported as investment income as increases or decreases to unrestricted net assets, unless their use is restricted by donor stipulations or law.

Property and Equipment

Property and equipment used in the operations of ALSC 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	15 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.

Expenditures for fixed assets that are purchased with government funds are expensed when acquired because the grantor retains title to such assets.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The review of recoverability is based on management's estimate of the undiscounted future cash flows that are expected to result from the asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment provision was recorded by ALSC 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 ALSC Board of Directors may designate unrestricted contributions for specific purposes (see Note 8).

Contributed Goods and Services

ALSC receives contributions of goods and services. Contributed goods include sundries, supplies, meals, and equipment that are used in programs that serve children, seniors and families. Professional services that meet the standard for recognition as contributed services are recorded as contributed goods and service revenue and the related expense. A substantial number of volunteers have donated significant amounts of time to ALSC's program and fund-raising activities. The value of these contributions are not reflected in the financial statements as these services do not meet the criteria for recognition as contributed services.

Functional Expenses

ALSC 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 in accordance with ALSC's cost allocation plan.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued)

ALSC assigns overhead costs totaling 13.2% to certain government-funded program departments under a Cost Allocation Plan approved by the U.S. Department of Health and Human Services which have been included within supporting services in the statement of functional expenses.

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 ALSC. Additionally, rents and related costs to maintain facilities that are not owned by ALSC are included within occupancy expenses.

Concentrations of Risk

ALSC maintains cash balances at institutions insured by the Federal Deposit Insurance Company ("FDIC"). Generally ALSC's cash balances exceed FDIC-insured limits. ALSC has not experienced and does not anticipate any losses related to cash held in these balances.

Investments balances are insured by the Securities Investor Protection Corporation ("SIPC"). Generally ALSC's investment balances exceed SIPC-insured limits. ALSC has not experienced and does not anticipate any losses related to investments held in these accounts.

Subsequent Events

ALSC has evaluated events subsequent to June 30, 2011, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 6, 2011, 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 described in Note 13.

NOTE 3 - INVESTMENTS

ALSC reports investments and other assets and liabilities using a hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 3 - INVESTMENTS (Continued)

Investments consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 2,480,246	\$ -	\$ 2,480,246
Mutual funds	1,561,812	488,664	2,050,476
Cash and cash equivalents	1,212,133	-	1,212,133
Fixed income securities	<u>-</u>	<u>689,817</u>	<u>689,817</u>
Subtotal - endowment	5,254,191	1,178,481	6,432,672
Gift annuity	<u>-</u>	<u>15,751</u>	<u>15,751</u>
	<u>\$ 5,254,191</u>	<u>\$ 1,194,232</u>	<u>\$ 6,448,423</u>

Activity in the investments during the year was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Balance, beginning of year	<u>\$ 3,316,862</u>	<u>\$ 2,071,491</u>	<u>\$ 5,388,353</u>
Increases			
Transfers in	1,236,414	15,747	1,252,161
Dividends and interest reinvested	108,205	100,696	208,901
Purchases of investments	<u>1,199,446</u>	<u>434,335</u>	<u>1,633,781</u>
	<u>2,544,065</u>	<u>550,778</u>	<u>3,094,843</u>
Decreases			
Transfers out	-	(127,676)	(127,676)
Investment expenses	(24,431)	(17,149)	(41,580)
Sales, redemptions and distributions	<u>(1,229,009)</u>	<u>(1,370,265)</u>	<u>(2,599,274)</u>
	<u>(1,253,440)</u>	<u>(1,515,090)</u>	<u>(2,768,530)</u>
Realized and unrealized gains	<u>646,704</u>	<u>87,053</u>	<u>733,757</u>
Balance, end of year	<u>\$ 5,254,191</u>	<u>\$ 1,194,232</u>	<u>\$ 6,448,423</u>

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 1,456,065
Land improvements	53,873
Buildings and improvements	9,986,610
Leasehold improvements	431,644
Furniture and fixtures	1,426,522
Office and other equipment	103,104
Vehicles	196,615
Computer equipment	<u>338,667</u>
	13,993,100
Accumulated depreciation and amortization	<u>(6,304,329)</u>
	<u>\$ 7,688,771</u>

Depreciation and amortization expense for the year was \$413,013. There is \$554,200 of fully-depreciated assets still in service included within property and equipment above.

**NOTE 5 - MORTGAGE PAYABLE**

ALSC has a mortgage payable to a financial institution, secured by real property, with monthly payments of principal and interest (at 7.375%) of \$3,174 through January 2017, at which time any remaining principal and interest is due. The mortgage note is subject to substantial prepayment penalties and several debt covenants, the most restrictive of which is a requirement to maintain a positive net asset balance. ALSC is in compliance with all debt covenants as of June 30, 2011. Interest expense for the year totaled \$14,473.



**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5 - MORTGAGE PAYABLE (Continued)

Future maturities on the mortgage obligation are as follows:

Year Ending June 30,

2012	\$ 24,156
2013	26,327
2014	28,651
2015	31,181
2016	33,925
Thereafter	<u>30,307</u>
	<u>\$ 174,547</u>

NOTE 6 - LINE OF CREDIT

ALSC has a line of credit for working capital from a financial institution for \$300,000 that was unused during the year. The line is unsecured and carries an interest rate of 3.25% and requires ALSC to be out of debt for thirty consecutive days throughout the term of the loan. Subsequent to June 30, 2011, the agreement was extended through September 2012.

NOTE 7 - ASSET RETIREMENT OBLIGATION

ALSC has estimated the fair value of the cost to provide asbestos remediation to be \$300,585 at June 30, 2011, and it is included within accounts payable and accrued liabilities on the statement of financial position. Accretion expense totaled \$10,585 for the year.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 - NET ASSETS

Reclassifications and Restatement of Prior Period

During the year, management evaluated net assets associated with endowments and quasi-endowments and determined, based on the donors' intention to restrict the use of the donated assets for specific purposes, that net assets associated with the invested endowments should be appropriately reported as temporarily and permanently restricted net assets. Previously, net assets totaling \$2,113,876 had been improperly classified as unrestricted board-designated net assets and an additional \$100,000 had been improperly classified as permanently restricted net assets.

Management also identified an asset retirement obligation to remediate asbestos (see Note 7), estimated at \$290,000 as of July 1, 2010, which had not previously been recorded. Correction of this error resulted in a prior period adjustment to July 1, 2010, net assets.

	<u>Unrestricted &amp; Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Effective July 1, 2010, net assets have been reclassified and restated as follows:				
Balance, July 1, 2010, as originally stated	\$12,988,670	\$ 11,761	\$ 2,034,155	\$15,034,586
Reclassification of donor - restricted endowments	(2,113,876)	1,851,649	262,227	-
Prior period adjustment to reflect asset retirement obligation	<u>(290,000)</u>	<u>-</u>	<u>-</u>	<u>(290,000)</u>
Balance, July 1, 2010, as restated	<u>\$10,584,794</u>	<u>\$ 1,863,410</u>	<u>\$ 2,296,382</u>	<u>\$14,744,586</u>

# **ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### NOTE 8 - NET ASSETS (Continued)

##### Unrestricted Board-Designated Net Assets

At June 30, 2011, unrestricted board-designated net assets are as follows:

Quasi-endowment	\$ 3,534,403
Property and equipment	798,814
Nine O'Clock Players	297,144
Operating reserve	167,000
Operation School Bell	165,046
Foster Children's Resource Center	29,796
Family Service Agency	28,000
Multipurpose Senior Center	<u>7,500</u>
	<u><u>\$ 5,027,703</u></u>

##### Temporarily Restricted Net Assets

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

	<u>Releases from Restrictions</u>	<u>Balance, June 30, 2011</u>
Donor-restricted term endowment	\$ (19,963)	\$ 2,320,988
Multipurpose Senior Center	-	31,558
Foster Children's Resource Center	-	25,000
Membership	-	12,340
Gift annuity	-	12,229
Children's Services	<u>-</u>	<u>5,000</u>
	<u><u>\$ (19,963)</u></u>	<u><u>\$ 2,407,115</u></u>

#### NOTE 9 - ENDOWMENTS

ALSC 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.

# **ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **NOTE 9 - ENDOWMENTS (Continued)**

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

#### Return Objectives and Risk Parameters

ALSC 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 indexes 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.

#### Strategies Employed for Achieving Objectives

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

#### Spending Policy and How Investment Objectives Relate to Spending Policy

ALSC spending policy provides for a distribution of up to 2% from permanently and temporarily restricted endowments. By special resolution, any amount of the board-designated endowment may be withdrawn for any purpose that is consistent with the mission of ALSC. During the year ended June 30, 2011, there were no distributions from the endowments or quasi-endowments.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9 - ENDOWMENTS (Continued)

Endowment Net Asset Composition by Type of Fund

Endowment net assets have been classified as follows:

	<u>Unrestricted and Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted				
Children's Theatre - Nine				
O'Clock Players	\$ -	\$ 661,191	\$ 674,937	\$ 1,336,128
Children's Services	-	526,481	549,628	1,076,109
Family Resource Center -				
Dorothy Leavey	(75,952)	-	1,000,000	924,048
Operation School Bell	-	439,623	50,000	489,623
VCLA Programs	-	445,259	-	445,259
General Endowment -				
Senior Programs	-	137,242	-	137,242
Community House	-	111,192	-	111,192
General Endowment	-	-	27,442	27,442
Board-Designated				
Endowment Funds	<u>3,610,355</u>	<u>-</u>	<u>-</u>	<u>3,610,355</u>
	<u>\$ 3,534,403</u>	<u>\$ 2,320,988</u>	<u>\$ 2,302,007</u>	<u>\$ 8,157,398</u>

The fair value of assets associated with individual donor-restricted endowments may fall below the level established by the donor. Deficiencies of this nature totaling \$75,952 resulting from unfavorable market fluctuations were reported in unrestricted net assets as of June 30, 2011.

Endowment Asset Composition on Statement of Financial Position

Assets held comprising ALSC's endowments are reported on the statement of financial position as follows:

Investments (see Note 3)	\$ 6,432,672
Cash designated for special purposes	<u>1,724,726</u>
	<u>\$ 8,157,398</u>

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9 - ENDOWMENTS (Continued)

Changes in Endowment Net Assets During the Year

Activity in the endowments during the year was as follows:

	<u>Unrestricted and Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2010	\$ 1,590,828	\$ 1,851,649	\$ 2,296,382	\$ 5,738,859
Contributions	1,507,307	5,000	5,625	1,517,932
Dividends and interest	101,250	106,999	-	208,249
Investment fees	(21,617)	(19,963)	-	(41,580)
Net realized and unrealized appreciation	<u>356,635</u>	<u>377,303</u>	<u>-</u>	<u>733,938</u>
Balance, June 30, 2011	<u>\$ 3,534,403</u>	<u>\$ 2,320,988</u>	<u>\$ 2,302,007</u>	<u>\$ 8,157,398</u>

NOTE 10 - CONTRIBUTED GOODS AND SERVICES

Contributed goods and services during the year were as follows:

Professional fees and service contracts	\$ 226,784
Equipment	7,742
Rent	4,240
Program supplies and other costs	34,885
Participant expense	97,507
Assistance to individuals	85,830
Special events expense	38,645
Miscellaneous	<u>3,499</u>
	<u>\$ 499,132</u>

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 11 - FUNDRAISING INCOME

Fundraising income and related contributions and expenses are as follows:

Fundraising income	\$ 221,924
Contributions in connection with fundraising events	<u>702,622</u>
	924,546
Less special event expenses	<u>(205,545)</u>
	<u>\$ 719,001</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Retirement Plan

ALSC offers an IRC Section 401(k) plan (the "Plan") to its employees who are at least 21 years old and have completed six months of service. Plan participants are permitted to defer up to 20% of their compensation and ALSC will match 25% of the first 4% of contributions. Employer contributions vest after six years of service. For the year ended June 30, 2011, ALSC contributed \$22,601 as matching contributions.

Operating Leases

ALSC leases certain equipment and facilities under noncancellable operating leases expiring various dates through 2014.

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

Year Ending June 30.

2012	\$ 104,413
2013	65,123
2014	<u>15,284</u>
	<u>\$ 184,820</u>

Rent expense under operating leases totaled \$131,759 for the year.

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

In the normal course of operations ALSC is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the financial position of ALSC.

Government Grants

Certain programs of ALSC receive funding and support from the 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.

NOTE 13 - SUBSEQUENT EVENTS

Gift Shop Closure

In July 2011, the gift shop at ALSC, which had incurred losses totaling \$32,135 during the year ended June 30, 2011, was closed.

Investments

In July 2011, approximately \$1,000,000 in cash and cash equivalents included with investments was invested in accordance with ALSC's investment policy. In October 2011, cash designated for special purposes was invested with institutions that are insured under FDIC.

Line of Credit

As disclosed in Note 6, subsequent to June 30, 2011, the line of credit was extended through September 2012.



## **SUPPLEMENTAL SCHEDULES**

# ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA

## SUPPLEMENTAL SCHEDULES OF PROGRAM SERVICES REVENUE AND EXPENSES

### FOR THE YEAR ENDED JUNE 30, 2011

	Family Service Agency	Children's Services	Multipurpose Senior Center	Volunteer Center LA	Volunteer Run Programs	Total Program Activity
Revenue and Support						
Contributions	\$ 10,450	\$ 151,043	\$ 194,765	\$ 766	\$ 573,222	\$ 930,246
Government grants	3,194,763	1,186,189	1,351,147	1,378,832	-	7,110,931
Food program federal/state meals	-	171,258	101,245	-	-	272,503
Auxiliary releases	468	29,650	12,852	-	32,740	75,710
Program fees	26,119	1,005,769	153,434	3,547,084	52,486	4,784,892
Miscellaneous income	<u>-</u>	<u>6,261</u>	<u>10,466</u>	<u>102</u>	<u>61,785</u>	<u>78,614</u>
Subtotal	3,231,800	2,550,170	1,823,909	4,926,784	720,233	13,252,896
In-kind from others	29,544	14,426	83,179	100,350	91,047	318,546
ALSC subsidy/match	<u>-</u>	<u>22,832</u>	<u>150,725</u>	<u>30,373</u>	<u>6,301</u>	<u>210,231</u>
Subtotal	3,261,344	\$ 2,587,428	\$ 2,057,813	\$ 5,057,507	\$ 817,581	\$ 13,781,673
Release from restrictions and designations	<u>(28,000)</u>	<u>(5,000)</u>	<u>(36,154)</u>	<u>-</u>	<u>(25,000)</u>	<u>(94,154)</u>
Total revenue and support	<u>\$ 3,233,344</u>	<u>\$ 2,582,428</u>	<u>\$ 2,021,659</u>	<u>\$ 5,057,507</u>	<u>\$ 792,581</u>	<u>\$ 13,687,519</u>
Expenses						
Salaries, benefits, and taxes	1,963,520	1,972,166	790,223	2,341,979	95,717	7,163,605
Professional fees and contract labor	155,580	-	8,230	130,491	12,004	306,305
Occupancy expenses	155,501	181,592	20,313	125,632	47,746	530,784
Equipment	177,237	8,069	131,891	34,653	-	351,850
Program supplies - food and related expenses	2,415	86,875	467,565	149	-	557,004
Program supplies and other costs	44,768	13,863	20,290	213,354	3,228	295,503
Participants expense - stipend, meals, travel, awards	60	829	2,095	567,976	2,314	573,274
Vehicle operating costs	-	13,920	63,747	6,147	413	84,227
Assistance to individuals	4,984	-	48,297	-	311,607	364,888
Office and technology supplies	138,579	37,073	23,267	135,438	3,825	338,182
Telephone	40,340	21,508	23,011	59,830	7,527	152,216
Insurance	15,313	43,964	12,661	20,855	14,630	107,423
Printing, copying, postage and shipping	18,367	21,943	20,692	52,981	9,510	123,493

# **ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

## **SUPPLEMENTAL SCHEDULES OF PROGRAM SERVICES REVENUE AND EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2011**

	Family Service Agency	Children's Services	Multipurpose Senior Center	Volunteer Center LA	Volunteer Run Programs	Total Program Activity
Travel - staff mileage	68,309	231	3,367	22,839	27,391	122,137
Conferences, training, subscriptions, membership & NAL dues	3,726	4,220	8,735	55,236	450	72,367
Recruiting and advertising	2,517	1,801	943	6,088	1,689	13,038
Taxes, licenses & service fees	4,643	12,716	427	9,391	1,062	28,239
Interest	-	-	-	3,086	3	3,089
Miscellaneous expenses	<u>672</u>	<u>1,411</u>	<u>2,414</u>	<u>6,483</u>	<u>1,120</u>	<u>12,100</u>
Total program expenses before general allocations	<u>2,796,531</u>	<u>2,422,181</u>	<u>1,648,168</u>	<u>3,792,608</u>	<u>540,236</u>	<u>11,199,724</u>
In-kind from others	29,544	14,426	83,179	100,350	91,047	318,546
ALSC shared costs and match	<u>43,746</u>	<u>-</u>	<u>86,809</u>	<u>46,732</u>	<u>15,538</u>	<u>192,825</u>
Subtotal in-kind and match	<u>73,290</u>	<u>14,426</u>	<u>169,988</u>	<u>147,082</u>	<u>106,585</u>	<u>511,371</u>
Total program expenses before depreciation and compensated absences expense adjustment	2,869,821	2,436,607	1,818,156	3,939,690	646,821	11,711,095
Unallocated costs						
Depreciation	-	-	-	-	-	354,572
Compensated absences expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,723</u>
Total program expenses as reported	2,869,821	2,436,607	1,818,156	3,939,690	646,821	12,100,390
Indirect costs allocation	<u>336,703</u>	<u>315,157</u>	<u>181,088</u>	<u>490,452</u>	<u>69,321</u>	<u>1,392,721</u>
Total cost of providing program services	<u>\$ 3,206,524</u>	<u>\$ 2,751,764</u>	<u>\$ 1,999,244</u>	<u>\$ 4,430,142</u>	<u>\$ 716,142</u>	<u>\$ 13,493,111</u>

**ASSISTANCE LEAGUE OF SOUTHERN CALIFORNIA**

**SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES-INTERNAL REPORTING**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries and wages	\$ 5,902,574	\$ 1,018,791	\$ 105,542	\$ 7,026,907
Employee benefits	763,171	99,557	5,240	867,968
Payroll taxes	<u>532,583</u>	<u>80,224</u>	<u>9,038</u>	<u>621,845</u>
	7,198,328	1,198,572	119,820	8,516,720
Other Expenses				
Advertising and recruiting	13,038	1,712	744	15,494
Assistance to individuals	364,888	-	-	364,888
Dues, fees and conferences	72,367	37,226	29,910	139,503
Equipment	351,850	9,375	-	361,225
Insurance	107,423	63,346	-	170,769
Occupancy expense	530,784	342,138	694	873,616
Office and technology supplies	338,182	76,491	11,738	426,411
Participant expense	573,274	1,079	22,096	596,449
Printing, copying, postage and publishing	123,493	36,375	20,838	180,706
Professional fees and service contracts	306,305	140,680	5,129	452,114
Program supplies - nutrition-related costs	557,004	-	-	557,004
Program supplies - other costs	295,503	-	-	295,503
Special events	-	-	166,900	166,900
Taxes and licenses	28,239	65,749	9,106	103,094
Telephone	152,216	17,367	-	169,583
Travel staff mileage	122,137	4,335	97	126,569
Vehicle expense	84,227	-	-	84,227
Interest	3,089	16,135	-	19,224
Depreciation and amortization	354,572	58,441	-	413,013
Accretion of asset retirement obligation	-	10,585	-	10,585
Miscellaneous	<u>12,100</u>	<u>45,655</u>	<u>10,134</u>	<u>67,889</u>
Total functional expenses before general allocations	11,589,019	2,125,261	397,206	14,111,486
General expense allocation to revenue departments	-	(13,115)	-	(13,115)
Shared costs and match	192,825	(192,825)	-	-
Contributed goods and services	318,546	141,941	38,645	499,132
General expense allocation to VCLA (see Note 1)	<u>-</u>	<u>(12,361)</u>	<u>-</u>	<u>(12,361)</u>
	<u>\$ 12,100,390</u>	<u>\$ 2,048,901</u>	<u>\$ 435,851</u>	<u>\$ 14,585,142</u>