

ASSISTANCE LEAGUE® OF LOS ANGELES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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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, 2013, 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 entity'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 entity'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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.



INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, 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 'RBZ.LLP' in a stylized, cursive font.

November 20, 2013

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$ 4,313,921
Accounts receivable, net	469,738
Property and equipment held-for-sale, net	471,929
Prepaid expenses and other assets	349,459
Endowment cash	211,204
Endowment investments	6,846,297
Property and equipment, net	<u>5,899,539</u>
Total Assets	<u>\$ 18,562,087</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued liabilities	\$ 1,017,521
Accrued salaries and related expenses	<u>231,854</u>
Total Liabilities	<u>1,249,375</u>
Commitments and Contingencies (Note 11)	
Net Assets	
Unrestricted	
Unrestricted - undesignated	2,817,071
Unrestricted - invested in land, building and equipment	5,899,539
Board-designated	<u>4,354,066</u>
Unrestricted	13,070,676
Temporarily restricted	1,770,379
Permanently restricted	<u>2,471,657</u>
Total Net Assets	<u>17,312,712</u>
Total Liabilities and Net Assets	<u>\$ 18,562,087</u>

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support				
Contributions	\$ 434,861	\$ 1,127,834	\$ 5,900	\$ 1,568,595
Government grants	3,195,886	-	-	3,195,886
Contributed goods and rent	154,021	-	-	154,021
Fundraising	<u>244,522</u>	<u>-</u>	<u>-</u>	<u>244,522</u>
	<u>4,029,290</u>	<u>1,127,834</u>	<u>5,900</u>	<u>5,163,024</u>
Membership fees and obligations	96,684	-	-	96,684
Program service fees	2,988,913	-	-	2,988,913
Facilities rentals	233,798	-	-	233,798
Other income	<u>70,680</u>	<u>-</u>	<u>-</u>	<u>70,680</u>
	<u>3,390,075</u>	<u>-</u>	<u>-</u>	<u>3,390,075</u>
Net Assets Released from Restrictions	<u>1,353,880</u>	<u>(1,353,880)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>8,773,245</u>	<u>(226,046)</u>	<u>5,900</u>	<u>8,553,099</u>
Functional Expenses				
Program services	6,698,751	-	-	6,698,751
Management and general	1,465,459	-	-	1,465,459
Fundraising	<u>347,275</u>	<u>-</u>	<u>-</u>	<u>347,275</u>
	<u>8,511,485</u>	<u>-</u>	<u>-</u>	<u>8,511,485</u>
Changes in Net Assets from Continuing Operations	<u>261,760</u>	<u>(226,046)</u>	<u>5,900</u>	<u>41,614</u>
Investment Results and Other Gains				
Investment interest and dividends	58,732	175,406	-	234,138
Realized gains on sales of investments	262,615	-	-	262,615
Unrealized gains on investments	89,598	-	-	89,598
Gain on sale of Panorama City property	<u>1,190,789</u>	<u>-</u>	<u>-</u>	<u>1,190,789</u>
	<u>1,601,734</u>	<u>175,406</u>	<u>-</u>	<u>1,777,140</u>
Changes in Net Assets before Discontinued Programs	1,863,494	(50,640)	5,900	1,818,754
Loss from Discontinued Programs	<u>(119,478)</u>	<u>-</u>	<u>-</u>	<u>(119,478)</u>
Changes in Net Assets	1,744,016	(50,640)	5,900	1,699,276
Net Assets, beginning of year	<u>11,326,660</u>	<u>1,821,019</u>	<u>2,465,757</u>	<u>15,613,436</u>
Net Assets, end of year	<u>\$ 13,070,676</u>	<u>\$ 1,770,379</u>	<u>\$ 2,471,657</u>	<u>\$ 17,312,712</u>

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries and wages	\$ 3,399,387	\$ 552,042	\$ 69,489	\$ 4,020,918
Employee benefits	421,225	68,149	8,611	497,985
Payroll taxes	<u>304,457</u>	<u>49,562</u>	<u>6,224</u>	<u>360,243</u>
	<u>4,125,069</u>	<u>669,753</u>	<u>84,324</u>	<u>4,879,146</u>
Other Expenses				
Accretion of asset retirement obligation	-	11,979	-	11,979
Advertising and recruiting	8,248	-	689	8,937
Assistance to individuals	332,083	-	-	332,083
Bad debt expense	-	29,918	-	29,918
Depreciation and amortization	261,087	41,088	5,645	307,820
Dues, fees and conferences	54,155	2,890	21,865	78,910
Equipment	857	-	-	857
Insurance	164,635	39,438	2,143	206,216
Interest	-	5,375	-	5,375
Mileage reimbursement, transportation, and travel	138,674	425	35	139,134
Miscellaneous	7,318	5,723	3,247	16,288
Occupancy	572,183	74,144	5,739	652,066
Office and technology supplies	329,450	14,257	6,592	350,299
Printing, copying, postage and publishing	95,874	8,240	15,798	119,912
Professional fees and service contracts	384,987	471,166	53,305	909,458
Program costs	21,053	-	-	21,053
Program supplies - nutrition-related costs	35,082	-	-	35,082
Special events	-	-	145,427	145,427
Taxes and licenses	18,847	80,459	1,501	100,807
Telephone expense	131,137	10,504	952	142,593
Vehicle expense	<u>18,012</u>	<u>100</u>	<u>13</u>	<u>18,125</u>
	<u>2,573,682</u>	<u>795,706</u>	<u>262,951</u>	<u>3,632,339</u>
Total Functional Expenses	<u>\$ 6,698,751</u>	<u>\$ 1,465,459</u>	<u>\$ 347,275</u>	<u>\$ 8,511,485</u>

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities	
Changes in net assets	\$ 1,699,276
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	307,820
Accretion of asset retirement obligation	11,979
Increase in allowance for doubtful accounts	20,782
Realized and unrealized gains on investments	(352,213)
Gain on sale of Panorama City property	(1,190,789)
Contribution to permanently restricted endowment	(5,900)
(Increase) decrease in operating assets	
Accounts receivable	630,916
Prepaid expenses and other assets	42,180
Increase (decrease) in operating liabilities	
Accounts payable and accrued liabilities	(135,443)
Accrued salaries and related expenses	<u>(485,026)</u>
Net Cash Provided by Operating Activities	<u>543,582</u>
Cash Flows from Investing Activities	
Proceeds from sale of property and equipment	1,966,562
Purchases of property and equipment	(120,508)
Proceeds from sale of investments	2,791,238
Purchases and reinvestments of investments	(2,979,647)
Net decrease in endowment cash	<u>957,366</u>
Net Cash Provided by Investing Activities	<u>2,615,011</u>
Cash Flows from Financing Activities	
Principal payments and payoff of mortgage payable	(150,155)
Contribution to permanently restricted endowment	<u>5,900</u>
Net Cash Used in Financing Activities	<u>(144,255)</u>
Net Increase in Cash and Cash Equivalents	3,014,338
Cash and Cash Equivalents, beginning of year	<u>1,299,583</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,313,921</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid during the Year for Interest	<u>\$ 5,375</u>
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See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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 their mission and provide social volunteer opportunities for their membership, and volunteer and funding support to their programs and services. All program and auxiliary activities are reported within these financial statements.

Operation School Bell

Operation School Bell annually provides underserved and at-risk school children new clothing and supplies. Children from disadvantaged circumstances have a better chance to attend school and academically succeed when they do not wear their poverty. Last year, over 6,500 children were given uniforms, jackets, shoes, grooming kits, backpacks and school supplies at our Hollywood location and via our mobile facility Operation School Bell on Wheels. Children from disadvantaged circumstances have a better chance to attend school and academically succeed when they do not wear their poverty.

Theatre for Children

Theatre for Children is the oldest children's theatre in Los Angeles bringing the joy of live theatre to thousands of low-income children every year. Our productions are offered free 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. We strive to offer children in Los Angeles the magic of theatre.

Foster Children's Resource Center

Children entering foster care or in a crisis situation are sometimes moved suddenly with few personal possessions beyond the clothes that they are wearing. We provide 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.

Family Service Agency

Thousands of children in Los Angeles County struggle with issues of child abuse, poverty, domestic violence and substance abuse. Family Service Agency provides support through therapy and crisis intervention to families in crisis.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - ORGANIZATION AND OPERATIONS (Continued)

Preschool Learning Center

Studies show that children who attend preschool outperform their peers academically and are more likely to go to college. Our nationally accredited preschool provides their first school experience free of charge to children ages three to five from low-income families. The program instills academic and social skills in children and fosters their social, emotional, cognitive, creative and physical development.

Hollywood Children's Club

This service is modeled after the successful service developed in our San Fernando Valley location by Foster Children's Resource Center and is designed to serve children in the Hollywood area. Families referred to us through the Department of Children and Family Services, social workers and other agencies receive clothing, diapers, school supplies, hygiene kits, and most importantly, a fresh start.

Volunteer Los Angeles

Volunteer Los Angeles connects people and businesses to organizations that benefit from their involvement through operating a court referral program, disaster preparedness in partnership with the city, corporate volunteer opportunities, and volunteer opportunities for the public at large. As part of its reorganization process, the League created a separate Internal Revenue Code ("IRC") Section 501(c)(3) organization, but has not yet transferred the operations to the new entity and is currently exploring its future options.

Discontinued Programs

During the year ended June 30, 2012, the League discontinued several of its programs and recorded a charge to operations during that year totaling \$373,124 for the estimated costs and operating losses expected to be incurred by these operations for the period July through September 2012, at which time they were discontinued. An additional adjustment of \$119,478 related to these discontinued operations was charged to operations during the year ended June 30, 2013.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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 ending June 30, 2010, 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 ending June 30, 2009, 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 8).

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 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.

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 7).

Cash and Cash Equivalents

Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

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 collectibility of these receivables and establishes an allowance for doubtful accounts when the receivable is deemed uncollectible. As of June 30, 2013, management has recorded an allowance for doubtful accounts totaling \$29,918 based on future projections of collectibility.

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 8).

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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, seniors, and families and are recorded at fair value when received. The League receives free use of a building for its Children's Services. 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 criteria for recognition as contributed services (see Note 9).

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 16.60% 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. Investments 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 24% of total revenue and 62% of accounts receivable at June 30, 2013. It is not possible to determine if funding from this source will continue at the current level.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain June 30, 2012, balances have been reclassified in order to conform to the June 30, 2013, presentation, with no resulting effect on the changes in net assets for the year ended June 30, 2012.

Subsequent Events

The League has evaluated events subsequent to June 30, 2013, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 20, 2013, 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 4.

NOTE 3 - ENDOWMENT INVESTMENTS

The League reports its 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, 2013).

Endowment investments consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 3,124,001	\$ -	\$ 3,124,001
Mutual funds	2,304,357	488,640	2,792,997
Fixed income securities	-	741,009	741,009
Money market accounts	<u>188,290</u>	<u>-</u>	<u>188,290</u>
Total	<u>\$ 5,616,648</u>	<u>\$ 1,229,649</u>	<u>\$ 6,846,297</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - ENDOWMENT INVESTMENTS (Continued)

Activity during the year was as follows:

	Level 1	Level 2	Total
Balance, beginning of year	\$ 5,002,267	\$ 1,303,408	\$ 6,305,675
Increases			
Dividends and interest reinvested	234,138	-	234,138
Purchases of investments	2,306,002	439,507	2,745,509
	2,540,140	439,507	2,979,647
Decreases			
Investment management fees	(49,269)	-	(49,269)
Sales, redemptions and distributions	(2,176,361)	(565,608)	(2,741,969)
	(2,225,630)	(565,608)	(2,791,238)
Realized and Unrealized Gains	299,871	52,342	352,213
Balance, end of year	\$ 5,616,648	\$ 1,229,649	\$ 6,846,297

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	In Use	Held-for-Sale	Total
Land	\$ 1,040,940	\$ 333,560	\$ 1,374,500
Land improvements	29,473	24,400	53,873
Buildings and improvements	8,971,872	271,118	9,242,990
Leasehold improvements	253,749	177,895	431,644
Furniture and fixtures	1,260,005	78,834	1,338,839
Office and other equipment	100,898	6,836	107,734
Vehicles	156,515	-	156,515
Computer equipment	391,222	-	391,222
	12,204,674	892,643	13,097,317
Accumulated depreciation and amortization	(6,305,135)	(420,714)	(6,725,849)
	<u>\$ 5,899,539</u>	<u>\$ 471,929</u>	<u>\$ 6,371,468</u>

In August 2013, the Board agreed that the Children's Club property and the Fernwood parking lot would be offered for sale. The League has retained a commercial real estate broker to facilitate the sale. Accordingly, the net book value as of June 30, 2013, of these assets have been presented as property and equipment held-for-sale on the accompanying statement of financial position.

NOTE 5 - SALE OF PANORAMA CITY PROPERTY

In November 2012, the property in Panorama City was sold for \$2,100,000, resulting in a gain totaling \$1,190,789. In connection with this sale, the mortgage payable secured by the Panorama City property was paid off.

NOTE 6 - ASSET RETIREMENT OBLIGATION

The League has estimated the fair value of the cost to provide asbestos remediation to be \$322,929 as of June 30, 2013, and it is included within accounts payable and accrued liabilities within the accompanying statement of financial position. Accretion expense totaled \$11,979 for the year.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - 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.

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - ENDOWMENTS (Continued)

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, 2013, \$670,138 was distributed from the unrestricted board-designated endowment and \$329,862 from the temporarily restricted term endowment.

Endowment Net Asset Composition by Type of Fund

Endowment net assets are classified as follows:

	Unrestricted Board- <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-Restricted				
Operation School Bell	\$ 32,084	\$ 427,568	\$ 60,000	\$ 519,652
Theatre for Children	52,214	681,290	734,587	1,468,091
Foster Children's Resource Center	9,877	-	1,000,000	1,009,877
Children's Services	-	102,437	549,628	652,065
Community House	8,320	109,698	-	118,018
Senior Services	-	17,864	100,000	117,864
General Endowment	<u>3,142,515</u>	<u>1,977</u>	<u>27,442</u>	<u>3,171,934</u>
	<u>\$ 3,245,010</u>	<u>\$ 1,340,834</u>	<u>\$ 2,471,657</u>	<u>\$ 7,057,501</u>

Endowment Asset Composition on Statement of Financial Position

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

Endowment investments	\$ 6,846,297
Endowment cash	<u>211,204</u>
	<u>\$ 7,057,501</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - 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, July 1, 2012	\$ 3,544,860	\$ 1,463,628	\$ 2,465,757	\$ 7,474,245
Contributions	5,000	31,662	5,900	42,562
Investment earnings, net	365,288	175,406	-	540,694
Appropriated for expenditure and distributed	<u>(670,138)</u>	<u>(329,862)</u>	<u>-</u>	<u>(1,000,000)</u>
Balance, June 30, 2013	<u>\$ 3,245,010</u>	<u>\$ 1,340,834</u>	<u>\$ 2,471,657</u>	<u>\$ 7,057,501</u>

NOTE 8 - 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 7.

Unrestricted Board-Designated Net Assets

At June 30, 2013, unrestricted board-designated net assets are as follows:

Unrestricted board-designated endowment (see Note 7)	\$ 3,245,010
Theatre for Children	386,000
Preschool Learning Center	274,699
Operation School Bell - inventory	266,568
Foster Children's Resource Center - inventory	33,159
Auxiliary carryover	<u>148,630</u>
	<u>\$ 4,354,066</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - 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, 2013</u>
Donor-restricted term endowment (see Note 7)	\$ (329,862)	\$ 1,340,834
Operation School Bell	(384,635)	220,668
Theatre for Children	(125,913)	-
Foster Children's Resource Center	(84,110)	77,775
Hollywood Children's Club	-	20,000
Children's Services	<u>(429,360)</u>	<u>111,102</u>
	<u><u>\$ (1,353,880)</u></u>	<u><u>\$ 1,770,379</u></u>

NOTE 9 - CONTRIBUTED GOODS AND RENT

Contributed goods and rent during the year were as follows:

Rent	\$ 103,500	
Assistance to individuals	<u>50,521</u>	
	<u><u>\$ 154,021</u></u>	

NOTE 10 - FUNDRAISING INCOME

Fundraising income and related contributions and expenses were as follows:

Fundraising income	\$ 244,522	
Contributions in connection with fundraising events	<u>444,230</u>	
	688,752	
Less special event expenses	<u>(145,427)</u>	
	<u><u>\$ 543,325</u></u>	

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - 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, 2013, the League contributed \$13,668 as matching contributions.

Operating Leases

The League leases certain equipment and facilities under noncancellable operating leases expiring various dates through 2016.

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>
2014	\$ 40,076	\$ 16,264	\$ 56,340
2015	2,610	3,480	6,090
2016	-	1,257	1,257
	<u>\$ 42,686</u>	<u>\$ 21,001</u>	<u>\$ 63,687</u>

Rent expense for the year under operating leases	<u>\$ 68,881</u>	<u>\$ 50,503</u>	<u>\$ 119,384</u>
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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. After consultation with legal counsel, management has estimated the League's future liability for its legal fees related to these matters, and has included this amount in accounts payable and accrued liabilities on the accompanying statement of financial position.

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.

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, 2013, 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 20, 2013.

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*.



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*

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.

RBZ.LLP

November 20, 2013