

ASSISTANCE LEAGUE® OF LOS ANGELES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 - 22
SUPPLEMENTAL SCHEDULES	
Independent Auditors' Report on Supplemental Schedule of Continuing and Discontinued Revenue and Expenses	24
Supplemental Schedule of Continuing and Discontinued Revenue and Expenses	25

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, 2014, 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, 2014, 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, 2014, 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.

RBZ.LLP

November 20, 2014

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Cash and Cash Equivalents	\$ 2,106,050
Accounts Receivable, net	688,092
Operating Investments	2,502,420
Prepaid Expenses and Other Assets	345,716
Property and Equipment Held-for-Sale, net	5,347,745
Endowment Investments	7,262,603
Property and Equipment, net	<u>1,367,724</u>
Total Assets	<u>\$ 19,620,350</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts Payable and Accrued Liabilities	\$ 882,028
Accrued Salaries and Related Expenses	<u>86,615</u>
Total Liabilities	<u>968,643</u>
Commitments and Contingencies (Note 9)	
Net Assets	
Unrestricted	
Unrestricted - Undesignated	3,126,817
Unrestricted - Invested in Land, Building and Equipment	6,715,469
Board-Designated	<u>4,422,191</u>
Unrestricted	14,264,477
Temporarily Restricted	2,104,140
Permanently Restricted	<u>2,283,090</u>
Total Net Assets	<u>18,651,707</u>
Total Liabilities and Net Assets	<u>\$ 19,620,350</u>

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support				
Contributions	\$ 536,394	\$ 773,446	\$ -	\$ 1,309,840
Government grants	418,867	-	-	418,867
Contributed goods and rent	165,206	-	-	165,206
Fundraising	<u>232,790</u>	<u>-</u>	<u>-</u>	<u>232,790</u>
	<u>1,353,257</u>	<u>773,446</u>	<u>-</u>	<u>2,126,703</u>
Revenue				
Membership fees and obligations	126,075	-	-	126,075
Program service fees	2,755,054	-	-	2,755,054
Facilities rentals	422,868	-	-	422,868
Other income	<u>50,665</u>	<u>-</u>	<u>-</u>	<u>50,665</u>
	<u>3,354,662</u>	<u>-</u>	<u>-</u>	<u>3,354,662</u>
Net Assets Released from Restrictions	<u>988,197</u>	<u>(799,630)</u>	<u>(188,567)</u>	<u>-</u>
Total Revenue and Support	<u>5,696,116</u>	<u>(26,184)</u>	<u>(188,567)</u>	<u>5,481,365</u>
Functional Expenses				
Program services	3,953,869	-	-	3,953,869
Management and general	983,929	-	-	983,929
Fundraising	<u>382,513</u>	<u>-</u>	<u>-</u>	<u>382,513</u>
	<u>5,320,311</u>	<u>-</u>	<u>-</u>	<u>5,320,311</u>
Changes in Net Assets from Continuing Operations	<u>375,805</u>	<u>(26,184)</u>	<u>(188,567)</u>	<u>161,054</u>
Investment Results and Other Gains				
Investment interest and dividends	139,043	74,878	-	213,921
Realized gains on sales of investments	213,413	114,914	-	328,327
Unrealized gains on investments	<u>465,526</u>	<u>170,153</u>	<u>-</u>	<u>635,679</u>
	<u>817,982</u>	<u>359,945</u>	<u>-</u>	<u>1,177,927</u>
Changes in Net Assets Before Discontinued Program	<u>1,193,787</u>	<u>333,761</u>	<u>(188,567)</u>	<u>1,338,981</u>
Discontinued Program (Note 11)				
Government grants revenue	1,413,040	-	-	1,413,040
Program expenses	<u>(1,413,026)</u>	<u>-</u>	<u>-</u>	<u>(1,413,026)</u>
Changes in Net Assets from Discontinued Programs	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>
Changes in Net Assets	1,193,801	333,761	(188,567)	1,338,995
Net Assets, beginning of year	<u>13,070,676</u>	<u>1,770,379</u>	<u>2,471,657</u>	<u>17,312,712</u>
Net Assets, end of year	<u>\$ 14,264,477</u>	<u>\$ 2,104,140</u>	<u>\$ 2,283,090</u>	<u>\$ 18,651,707</u>

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries and wages	\$ 1,459,759	\$ 116,062	\$ 55,156	\$ 1,630,977
Employee benefits	258,353	20,541	9,762	288,656
Payroll taxes	<u>132,584</u>	<u>10,542</u>	<u>5,010</u>	<u>148,136</u>
	<u>1,850,696</u>	<u>147,145</u>	<u>69,928</u>	<u>2,067,769</u>
Other Expenses				
Accretion of asset retirement obligation	-	11,786	-	11,786
Advertising and recruiting	17,633	221	1,329	19,183
Assistance to individuals	353,957	-	-	353,957
Bad debt expense	-	11,231	-	11,231
Depreciation and amortization	243,720	19,378	9,209	272,307
Dues, fees and conferences	20,773	2,060	3,940	26,773
Equipment	1,086	-	-	1,086
Insurance	176,472	11,530	5,479	193,481
Mileage reimbursement, transportation and travel	42,058	84	215	42,357
Miscellaneous	18,659	1,505	4,482	24,646
Occupancy	426,315	18,852	8,797	453,964
Office and technology supplies	145,785	5,806	7,529	159,120
Printing, copying, postage and publishing	60,006	3,769	10,502	74,277
Professional fees and service contracts	405,140	618,718	133,525	1,157,383
Program costs	30,408	-	-	30,408
Program supplies - nutrition-related costs	44,638	-	-	44,638
Special events	-	-	125,062	125,062
Bank charges, taxes and licenses	-	127,418	-	127,418
Telephone expense	104,610	4,418	2,502	111,530
Vehicle expense	<u>11,913</u>	<u>8</u>	<u>14</u>	<u>11,935</u>
	<u>2,103,173</u>	<u>836,784</u>	<u>312,585</u>	<u>3,252,542</u>
Total Functional Expenses	<u>\$ 3,953,869</u>	<u>\$ 983,929</u>	<u>\$ 382,513</u>	<u>\$ 5,320,311</u>
	<u>75 %</u>	<u>18 %</u>	<u>7 %</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, 2014

Cash Flows from Operating Activities	
Changes in net assets	\$ 1,338,995
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	272,307
Accretion of asset retirement obligation	11,786
Decrease in allowance for doubtful accounts	(18,687)
Realized and unrealized gains on investments	(964,006)
Release from permanently restricted endowment (Note 6)	188,567
(Increase) decrease in operating assets	
Accounts receivable	(199,667)
Prepaid expenses and other assets	3,743
Increase (decrease) in operating liabilities	
Accounts payable and accrued liabilities	(147,279)
Accrued salaries and related expenses	<u>(145,239)</u>
Net Cash Provided by Operating Activities	<u>340,520</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(616,308)
Proceeds from sales of investments, net of fees	6,471,185
Purchases of investments and reinvestment of earnings	<u>(8,214,701)</u>
Net Cash Used in Investing Activities	<u>(2,359,824)</u>
Cash Flows from Financing Activities	
Release from permanently restricted endowment (Note 6)	<u>(188,567)</u>
Net Cash Used in Financing Activities	<u>(188,567)</u>
Net Decrease in Cash and Cash Equivalents	(2,207,871)
Cash and Cash Equivalents, beginning of year	<u>4,313,921</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,106,050</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES

Reclassification from Property and Equipment to Property and Equipment Held-for-Sale	<u>\$ 4,875,816</u>
--	---------------------

See accompanying notes to financial statements.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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>
Theatre for Children	12,500
Operation School Bell	4,456
Foster Children's Resource Center	1,703
Family Service Agency	939
Hollywood Children's Club	138
Pre-School Learning Center	<u>48</u>
Total	<u><u>19,784</u></u>

	<u>Volunteer Hours (Unaudited)</u>
Theatre for Children	13,458
Operation School Bell	9,682
Foster Children's Resource Center	4,257
Mannequins	4,161
Family Service Agency	2,916
College Alumnae	2,032
Assisteens	1,889
Bookworms	1,571
Pre-School Learning Center	<u>220</u>
Total	<u><u>40,186</u></u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 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.

Pre-School Learning Center

Pre-School 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 Pre-School 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, 2014

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 its programs. CRVC is located in seven courthouses throughout Los Angeles County where it refers customers sent from the courts to nonprofit agencies throughout Los Angeles County to fulfill their volunteer requirements to the courts.

Volunteer Los Angeles, which previously oversaw the CRVC program and included the disaster preparedness program in partnership with the city, our corporate volunteer opportunities, and volunteer opportunities for the public at large, has been transferred to LA Works, the remaining volunteer center serving Los Angeles County.

Discontinued Program

Family Service Agency provided support through therapy and crisis intervention to families in crisis. The Family Service Agency program was discontinued by the end of June 2014 due to a substantial decrease in the grant funding that previously supported the program (see Note 11).

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, 2011, 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, 2010, 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).

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, management has recorded an allowance for doubtful accounts totaling \$11,231 based on projections of future collectability.

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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. 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).

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 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 U.S. GAAP recognition criteria (see Note 8).

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 20% of total revenue during the year and 35% of accounts receivable at June 30, 2014. This program was discontinued in June 2014 (see Note 1).

Reclassifications

Certain June 30, 2013, balances have been reclassified in order to conform to the June 30, 2014, presentation, with no resulting effect on the changes in net assets for the year ended June 30, 2013.

Subsequent Events

The League has evaluated events subsequent to June 30, 2014, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 20, 2014, 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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014).

Investments consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 4,625,371	\$ -	\$ -	\$ 4,625,371
Equities	4,222,232	-	-	4,222,232
Corporate bonds	-	462,735	-	462,735
Government securities	248,534	36,924	-	285,458
Money market accounts	<u>169,227</u>	<u>-</u>	<u>-</u>	<u>169,227</u>
Total	<u>\$ 9,265,364</u>	<u>\$ 499,659</u>	<u>\$ -</u>	<u>\$ 9,765,023</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 7,057,501
Purchases of investments and reinvestment of earnings	8,214,701
Proceeds from sales of investments	(6,417,085)
Realized gains on sales of investments	328,327
Unrealized gains on investments	635,679
Investment management fees	<u>(54,100)</u>
 Balance, end of year	 <u>\$ 9,765,023</u>

At June 30, 2014, investments are categorized as follows:

Operating	\$ 2,502,420
Endowment (see Note 6)	<u>7,262,603</u>
	<u>\$ 9,765,023</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 498,746	\$ 875,754	\$ 1,374,500
Land improvements	18,410	35,463	53,873
Buildings and improvements	1,920,777	7,929,903	9,850,680
Leasehold improvements	431,644	-	431,644
Furniture and fixtures	1,021,930	319,695	1,341,625
Computer equipment	394,110	-	394,110
Vehicles	156,515	-	156,515
Office and other equipment	73,650	37,028	110,678
	4,515,782	9,197,843	13,713,625
Accumulated depreciation and amortization	(3,148,058)	(3,850,098)	(6,998,156)
	<u>\$ 1,367,724</u>	<u>\$ 5,347,745</u>	<u>\$ 6,715,469</u>

Effective August 2013 and March 2014, the Board agreed the following properties in Los Angeles would be offered for sale: 5517, 5523, 5527 and 5533 Fernwood Avenue; 5620 and 5622 De Longpre Avenue; and 1370 North St. Andrews Place. The League has retained a commercial real estate broker to facilitate the sale. Accordingly, the net book value of these assets as of June 30, 2014, has been presented as property and equipment held-for-sale in the accompanying statement of financial position.

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, 2014, and it is included within accounts payable and accrued liabilities within the accompanying statement of financial position. Accretion expense totaled \$11,786 for the year.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014, \$426,717 was distributed from the unrestricted Board-designated endowment and \$212,357 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	\$ 61,980	\$ 436,439	\$ 60,000	\$ 558,419
Theatre for Children	53,206	790,762	734,587	1,578,555
Foster Children's				
Resource Center	-	78,274	811,433	889,707
Children's Services	-	151,081	549,628	700,709
Senior Services	-	26,657	100,000	126,657
General Endowment	<u>3,375,080</u>	<u>6,034</u>	<u>27,442</u>	<u>3,408,556</u>
	<u>\$ 3,490,266</u>	<u>\$ 1,489,247</u>	<u>\$ 2,283,090</u>	<u>\$ 7,262,603</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 - ENDOWMENTS (Continued)

Changes in Endowment Net Assets During the Year

Activity in the endowments during the year, including a donor-authorized release of permanently restricted net assets totaling \$188,567, was as follows:

	<u>Unrestricted Board- Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2013	\$ 3,245,010	\$ 1,340,834	\$ 2,471,657	\$ 7,057,501
Contributions	-	825	-	825
Investment earnings, net	671,973	359,945	-	1,031,918
Appropriated for expenditure and distributed	<u>(426,717)</u>	<u>(212,357)</u>	<u>(188,567)</u>	<u>(827,641)</u>
Balance, June 30, 2014	<u>\$ 3,490,266</u>	<u>\$ 1,489,247</u> *	<u>\$ 2,283,090</u>	<u>\$ 7,262,603</u>

* Included in temporarily restricted net assets at June 30, 2014 are unappropriated earnings on the permanent endowment totaling \$147,588.

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.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - NET ASSETS (Continued)

Unrestricted Board-Designated Net Assets

At June 30, 2014, unrestricted Board-designated net assets are as follows:

Unrestricted Board-designated endowment (see Note 6)	\$ 3,490,266
Theatre for Children	333,970
Pre-School Learning Center	289,841
Operation School Bell - inventory	211,466
Foster Children's Resource Center - inventory	44,356
Auxiliary carryover	<u>52,292</u>
	<u>\$ 4,422,191</u>

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, 2014</u>
Donor-restricted term endowment (see Note 6)	\$ (212,357)	\$ 1,489,247
Operation School Bell	(361,600)	374,195
Theatre for Children	(116,586)	37,265
Foster Children's Resource Center	(35,051)	110,874
Hollywood Children's Club	(6,706)	23,294
Children's Services	(52,330)	69,265
Family Service Agency	<u>(15,000)</u>	<u>-</u>
	<u>\$ (799,630)</u>	<u>\$ 2,104,140</u>

NOTE 8 - CONTRIBUTED GOODS AND RENT

Contributed goods and rent during the year were as follows:

Rent	\$ 103,500
Assistance to individuals	<u>61,706</u>
	<u>\$ 165,206</u>

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the League contributed \$7,130 as matching contributions.

Operating Leases

The League leases certain equipment and facilities under noncancellable operating leases expiring various dates through 2019.

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>
2015	\$ 10,440	\$ 9,288	\$ 19,728
2016	2,610	7,064	9,674
2017	-	5,419	5,419
2018	-	3,009	3,009
2019	-	2,591	2,591
	<u>\$ 13,050</u>	<u>\$ 27,371</u>	<u>\$ 40,421</u>

Rent expense for the year under operating leases	<u>\$ 108,506</u>	<u>\$ 18,039</u>	<u>\$ 126,545</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. After consultation with legal counsel, management believes any potential claim is covered by insurance and has estimated the League's future liability for its legal fees related to these matters to be up to \$75,000, and has included this amount in accounts payable and accrued liabilities on the accompanying statement of financial position. The retention on the League's Directors and Officers insurance policy is \$75,000.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

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.

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, 2014, are as follows:

<u>Event/ Activity</u>	<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 Patron Campaign and Casino Night	\$ 123,919	\$ -	\$ 6,500	\$ 3,515	\$ 113,904
Operation School Bell Spring Affaire	116,828	1,685	27,664	4,221	83,258
NOP Patron Campaign	67,674	-	66	1,297	66,311
Hilltoppers Dress A Child Campaign	54,085	-	-	902	53,183
Founders' Day	40,269	-	6,280	3,873	30,116
Mannequins Patron Campaign	21,070	-	-	1,191	19,879
College Alumnae Association Champagne Luncheon	18,488	252	4,224	544	13,468
Assisteens Medallion and Fashion Show	20,088	1,380	6,255	1,153	11,300
Pre-School Auxiliary Polo Day & Patron Campaign	29,665	-	11,188	3,336	15,141
Pre-School Auxiliary and Bookworms Santa Anita Race Day	<u>6,208</u>	<u>-</u>	<u>1,470</u>	<u>515</u>	<u>4,223</u>
	<u>\$ 498,294</u>	<u>\$ 3,317</u>	<u>\$ 63,647</u>	<u>\$ 20,547</u>	<u>\$ 410,783</u>

Contributions totaling \$265,504 are included with event revenue.

ASSISTANCE LEAGUE® OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - DISCONTINUED PROGRAM

During the year the Board of Directors voted to cease operations of the Family Service Agency as of June 30, 2014, due to funding reductions. Revenue and expenses for the year for this program are segregated from continuing operations on the statement of activities in conformity with U.S. GAAP. The supplemental schedule of continuing and discontinued revenue and expenses on page 25 combines revenue and expenses from both continuing operations and the discontinued program for purposes of additional analysis. Management estimates no material future costs will be incurred subsequent to June 30, 2014, related to this discontinued program.

**SUPPLEMENTAL SCHEDULE OF
CONTINUING AND DISCONTINUED REVENUE AND EXPENSES**

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULE OF
CONTINUING AND DISCONTINUED REVENUE AND EXPENSES

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

We have audited the financial statements of Assistance League® of Los Angeles as of and for the year ended June 30, 2014, and have issued our report thereon dated November 20, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The supplemental schedule of continuing and discontinued revenue and expenses is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RBZ.LLP

November 20, 2014

ASSISTANCE LEAGUE® OF LOS ANGELES

**SUPPLEMENTAL SCHEDULE OF
CONTINUING AND DISCONTINUED REVENUE AND EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total Program Activity</u>
Public Support			
Contributions	\$ 1,309,840	\$ -	\$ 1,309,840
Government grants	418,867	1,413,040	1,831,907
Contributed goods and rent	165,206	-	165,206
Fundraising	<u>232,790</u>	<u>-</u>	<u>232,790</u>
	<u>2,126,703</u>	<u>1,413,040</u>	<u>3,539,743</u>
Revenue			
Membership fees and obligations	126,075	-	126,075
Program service fees	2,755,054	-	2,755,054
Facilities rentals	422,868	-	422,868
Other income	<u>50,665</u>	<u>-</u>	<u>50,665</u>
	<u>3,354,662</u>	<u>-</u>	<u>3,354,662</u>
Total Revenue and Support	<u>5,481,365</u>	<u>1,413,040</u>	<u>6,894,405</u>
Personnel Expenses			
Salaries and wages	1,630,977	780,510	2,411,487
Employee benefits	288,656	118,515	407,171
Payroll taxes	<u>148,136</u>	<u>73,130</u>	<u>221,266</u>
	<u>2,067,769</u>	<u>972,155</u>	<u>3,039,924</u>
Other Expenses			
Accretion of asset retirement obligation	11,786	-	11,786
Advertising and recruiting	19,183	238	19,421
Assistance to individuals	353,957	1,028	354,985
Bad debt expense	11,231	-	11,231
Depreciation and amortization	272,307	-	272,307
Dues, fees and conferences	26,773	526	27,299
Equipment	1,086	-	1,086
Insurance	193,481	-	193,481
Mileage reimbursement, transportation and travel	42,357	59,625	101,982
Miscellaneous	24,646	368	25,014
Occupancy	453,964	100,402	554,366
Office and technology supplies	159,120	10,901	170,021
Printing, copying, postage and publishing	74,277	10,944	85,221
Professional fees and service contracts	1,157,383	227,582	1,384,965
Program costs	30,408	-	30,408
Program supplies - nutrition-related costs	44,638	2,153	46,791
Special events	125,062	-	125,062
Bank charges, taxes and licenses	127,418	345	127,763
Telephone expense	111,530	26,461	137,991
Vehicle expense	<u>11,935</u>	<u>298</u>	<u>12,233</u>
	<u>3,252,542</u>	<u>440,871</u>	<u>3,693,413</u>
Total Functional Expenses	5,320,311	1,413,026	6,733,337
Changes in Net Assets from Continuing Operations	<u>161,054</u>	<u>14</u>	<u>161,068</u>
Investment Results			
Investment interest and dividends	213,921	-	213,921
Realized gains on sales of investments	328,327	-	328,327
Unrealized gains on investments	<u>635,679</u>	<u>-</u>	<u>635,679</u>
Total Investment Results	<u>1,177,927</u>	<u>-</u>	<u>1,177,927</u>
Changes in Net Assets	<u>\$ 1,338,981</u>	<u>\$ 14</u>	<u>\$ 1,338,995</u>

See independent auditors' report and notes to financial statements.