

**ASSISTANCE LEAGUE® OF LOS ANGELES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Assistance League® of Los Angeles

### Report on the Financial Statements

We have audited the accompanying financial statements of Assistance League® of Los Angeles, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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; 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.

### Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditor's 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 auditor considers 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 14 to the financial statements, the recent COVID-19 pandemic in the United States and world-wide has resulted in reduced economic activity and market volatility. As the extent and duration of the future impact to Assistance League® of Los Angeles are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

To the Board of Directors  
Assistance League® of Los Angeles

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of Assistance League® of Los Angeles' 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 Assistance League® of Los Angeles' internal control over financial reporting and compliance.

*Green Hasson & Janks LLP*

December 3, 2020  
Los Angeles, California

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2020

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	\$ 3,628,734	\$ -	\$ 3,628,734
Investments	4,238,366	2,959,121	7,197,487
Pledges Receivable	100,000	-	100,000
Bequests Receivable	447,125	900,219	1,347,344
Prepaid Expenses and Other Assets	245,423	-	245,423
Inventory	740,376	-	740,376
Property and Equipment (Net)	12,152,200	-	12,152,200
Beneficial Interest in Assets Held by Affiliate	-	36,991,938	36,991,938
<b>TOTAL ASSETS</b>	<b>\$ 21,552,224</b>	<b>\$ 40,851,278</b>	<b>\$ 62,403,502</b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 1,079,915	\$ -	\$ 1,079,915
Accrued Liabilities	106,232	-	106,232
Paycheck Protection Program Loan	442,900	-	442,900
<b>TOTAL LIABILITIES</b>	<b>1,629,047</b>	<b>-</b>	<b>1,629,047</b>
<b>NET ASSETS:</b>			
Without Donor Restrictions			
Undesignated	14,021,497	-	14,021,497
Board Designated	5,901,680	-	5,901,680
With Donor Restrictions	-	40,851,278	40,851,278
<b>TOTAL NET ASSETS</b>	<b>19,923,177</b>	<b>40,851,278</b>	<b>60,774,455</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,552,224</b>	<b>\$ 40,851,278</b>	<b>\$ 62,403,502</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Contributions	\$ 11,342,171	\$ 769,480	\$ 12,111,651
Bequests	673,220	-	673,220
Government Grants and Contracts	694,596	-	694,596
Special Events (Net of Direct Donor Benefit Expenses of \$170,245)	416,687	54,288	470,975
Contributions In-Kind	389,891	-	389,891
Membership Fees	62,636	-	62,636
Program Service Fees	1,138,935	-	1,138,935
Other Income	44,103	-	44,103
<b>TOTAL REVENUE AND SUPPORT</b>	<b>14,762,239</b>	<b>823,768</b>	<b>15,586,007</b>
<b>EXPENSES:</b>			
Program Services	4,193,645	-	4,193,645
Management and General	704,825	-	704,825
Fundraising	728,359	-	728,359
<b>TOTAL OPERATING EXPENSES</b>	<b>5,626,829</b>	<b>-</b>	<b>5,626,829</b>
Net Assets Released from Restrictions	897,752	(897,752)	-
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>10,033,162</b>	<b>(73,984)</b>	<b>9,959,178</b>
Investment Return (Net)	318,561	95,613	414,174
Change in Value of Beneficial Interest in Assets Held by Affiliate	-	(9,365,962)	(9,365,962)
<b>CHANGE IN NET ASSETS</b>	<b>10,351,723</b>	<b>(9,344,333)</b>	<b>1,007,390</b>
Net Assets - Beginning of Year - As Restated	9,571,454	50,195,611	59,767,065
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 19,923,177</b>	<b>\$ 40,851,278</b>	<b>\$ 60,774,455</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2020

AVC	Program Services					Total Program Services	Supporting Services		Total Support Services	Total
	FCRC	Theatre for Children	Operation School Bell	Preschool Learning Center	Other Programs		Management and General	Fundraising		
870,746	\$ 15,190	\$ 25,932	\$ 62,228	\$ 544,556	\$ 10,322	\$ 1,528,974	\$ 162,029	\$ 265,771	\$ 427,800	\$ 1,956,774
118,048	1,233	2,105	5,050	104,741	838	232,015	23,796	41,644	65,440	297,455
75,114	1,244	2,124	5,097	44,986	846	129,411	13,273	23,227	36,500	165,911
1,063,908	17,667	30,161	72,375	694,283	12,006	1,890,400	199,098	330,642	529,740	2,420,140
755	34	5,127	140	688	24	6,768	1,840	927	2,767	9,535
47,351	51,942	6,741	310,352	59,382	37,184	512,952	-	-	-	512,952
45,909	3,828	6,536	15,684	31,198	2,602	105,757	10,847	18,982	29,829	135,586
12,447	3,713	3,558	9,430	9,609	13,718	52,475	4,308	1,657	5,965	58,440
376	19	2,061	77	1,406	12	3,951	-	22	22	3,973
55,451	2,918	4,981	11,953	25,416	1,982	102,701	8,244	14,427	22,671	125,372
139,034	11,594	19,793	47,498	94,483	7,879	320,281	32,849	57,486	90,335	410,616
5,949	7	12	44	67	4	6,083	329	193	522	6,605
4,255	355	984	2,558	2,891	241	11,284	2,545	2,449	4,994	16,278
199,461	49,140	79,472	106,574	153,746	19,365	607,758	36,801	48,609	85,410	693,168
17,615	595	1,083	1,774	11,420	227	32,714	2,365	1,420	3,785	36,499
20,666	2,215	8,793	9,247	9,339	2,394	52,654	2,626	9,047	11,673	64,327
63,505	2,793	61,025	13,295	41,636	3,122	185,376	373,820	102,882	476,702	662,078
7,340	667	21,949	3,584	14,051	416	48,007	-	-	-	48,007
-	-	-	-	52,751	-	52,751	-	-	-	52,751
-	-	-	-	-	-	-	-	112,117	112,117	112,117
12,377	34	60	585	1,372	24	14,452	19,071	6,288	25,359	39,811
52,319	972	1,659	3,980	12,698	660	72,288	3,059	5,887	8,946	81,234
1,456	-	-	2,594	-	-	4,050	529	-	529	4,579
70,270	3,207	5,285	10,053	20,581	1,547	110,943	6,494	15,324	21,818	132,761
<u>320,444</u>	<u>\$ 151,700</u>	<u>\$ 259,280</u>	<u>\$ 621,797</u>	<u>\$ 1,237,017</u>	<u>\$ 103,407</u>	<u>\$ 4,193,645</u>	<u>\$ 704,825</u>	<u>\$ 728,359</u>	<u>\$ 1,433,184</u>	<u>\$ 5,626,829</u>
32%	3%	5%	11%	22%	2%	75%	12%	13%	25%	100%

The Accompanying Notes are an Integral Part of These Financial Statements

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2020

Change in Net Assets	\$ 1,007,390
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	135,586
Non Cash Contributions of Securities	(5,149)
Change in Beneficial Interest in Assets Held by Affiliate	9,365,962
Realized and Unrealized Gains on Investments	(277,750)
(Increase) Decrease in:	
Pledges Receivable	(30,759)
Bequests Receivable	3,012,297
Prepaid Expenses and Other Assets	145,077
Inventory	(116,223)
Increase (Decrease) in:	
Accounts Payable	690,050
Accrued Liabilities	<u>(42,908)</u>
 <b><i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i></b>	 13,883,573
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds on Sale of Investments	2,190,086
Purchase of Investments	(2,043,688)
Purchase of Property and Equipment	<u>(1,159,649)</u>
 <b><i>NET CASH USED IN INVESTING ACTIVITIES</i></b>	 <u>(1,013,251)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Payment on Note Payable to Affiliate	(11,000,000)
Proceeds from Paycheck Protection Program Loan	<u>442,900</u>
 <b><i>NET CASH USED IN FINANCING ACTIVITIES</i></b>	 <u>(10,557,100)</u>
 <b><i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i></b>	 2,313,222
Cash and Cash Equivalents - Beginning of Year	<u>1,315,512</u>
 <b><i>CASH AND CASH EQUIVALENTS - END OF YEAR</i></b>	 <u><u>\$ 3,628,734</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements



# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 1 - NATURE OF ORGANIZATION

Assistance League® of Los Angeles (the League) is a chapter of National Assistance League®. The mission of the League, since 1919, is 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 various fundraising and support 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 number of children and families served are provided below:

	Number Served <u>(Unaudited)</u>
Operation School Bell	6,101
Theatre for Children	7,108
Foster Children's Resource Center	1,837
Preschool Learning Center	73
Bright Future Scholarship	48
	<u>15,167</u>

The number of volunteer hours to support those efforts are as follows:

	Volunteer Hours <u>(Unaudited)</u>
Anne Banning	8,341
College Alumnae	177
Family Membership	45
Founder Assisteens	2,100
Hilltoppers	5,905
League at Large	1,208
Mannequins	1,510
Nine O-Clock Players	4,338
Preschool Auxiliary	44
Young Professionals' Group	245
	<u>23,913</u>

During the year ended June 30, 2020, the League benefited from 23,913 hours of volunteer services, valued at \$650,434 based on the current estimated national value of a volunteer hour of \$27.20, per the Independent Sector. The services that these individuals rendered, while of great value to the League, do not meet the criteria for recognition under generally accepted accounting principles and, as such, are not recognized in the accompanying financial statements.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 1 - NATURE OF ORGANIZATION (continued)

#### **Operation School Bell**

Operation School Bell provides underserved and at-risk elementary school children with new clothing and supplies. Children from disadvantaged circumstances have improved school attendance, classroom behavior, confidence, and levels of engagement with their peers and school activities 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 also through the mobile facility Operation School Bell on Wheels.

#### **Theatre for Children**

The Theatre for Children program is the oldest children's theatre in Los Angeles, bringing the joy of live theatre to thousands of underserved and handicapped children every year. The productions are offered free of charge to children from Title I schools 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 arts education through the experience of live theatre.

#### **Foster Children's Resource Center**

Foster Children's Resource Center provides critically needed clothing and supplies to children who enter foster care or are abruptly moved 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, pajamas, backpacks, school supplies, toys, books, and grooming kits to bolster their self-esteem during a difficult and vulnerable time in their lives.

#### **Preschool Learning Center**

Preschool Learning Center develops academic skills in children and encourages their social, emotional, cognitive, creative, and physical development. Studies show that children who attend preschool outperform their peers academically and are more likely to go to college. Accredited by the National Association for the Education of Young Children (NAEYC), the League's Preschool Learning Center provides a quality preschool education free of charge to children ages three to five from low-income families.

#### **Bright Future Scholarship**

The League awards financial support for graduating high school seniors from Los Angeles Unified School District's *Homeless Education Program* and *Foster Youth Achievement Program* who are entering their freshman year of college. The Bright Future Scholarship award is based on academic achievement, character, and commitment to the community. Scholarship awardees receive the same funding for freshman through senior years by maintaining no less than a 2.5 GPA.

#### **Court Referred Volunteer Center**

The Court Referred Volunteer Center (CRVC) program operates as a social enterprise providing revenue to help support League services. The CRVC program is in seven courthouses throughout Los Angeles County. The program refers clients sent from the courts to various nonprofit agencies throughout Los Angeles County to fulfill their court-mandated community service requirements. During the year ended June 30, 2020, CRVC connected more than 11,000 Angelenos to community service opportunities representing more than 670,000 volunteer hours.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors of the League (Board).
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### (c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2020 approximates its fair value.

#### (d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year.

Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and fair value of investments held at the end of the fiscal year.

#### (e) CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the League to concentrations of credit and market risk consist primarily of cash, cash equivalents and investments. Cash and cash equivalents are maintained at high-quality financial institutions and the accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The League has not experienced any losses on its uninsured cash or cash equivalents.

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) CONCENTRATIONS OF CREDIT AND MARKET RISK (continued)**

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. However, the League's investments are not considered to represent significant concentrations of market risk due to adequate diversification among issuers.

**(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE**

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met. Pledges receivable at June 30, 2020 are due in their entirety within one year. The League evaluated the collectability of pledges receivable at June 30, 2020 and determined that no allowance for doubtful pledges was considered necessary.

**(g) LEGACIES AND BEQUESTS RECEIVABLE**

The League recognizes legacies and bequests when donors' wills have been declared valid by the probate court and the value of the amounts to be received is determinable. At June 30, 2020, the League's bequests receivable balance of \$1,347,344 (net of a present value discount of \$99,781) is considered by management to be collectable and consequently no allowance for doubtful bequests receivable was considered necessary.

**(h) INVENTORY**

Inventory, which consists primarily of clothing, backpacks and supplies to be used in the League's programs, is recorded at cost if purchased, or at fair market value if donated.

**(i) PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings	40 Years
Furniture and Fixtures	5 - 7 Years
Office Equipment	5 Years
Vehicles	5 Years
Computers and Software	3 Years
Leasehold Improvements	Lesser of Useful Life or Life of Lease

Expenditures for repairs and maintenance are charged to expense as incurred while renewals and betterments are capitalized.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(j) LONG-LIVED ASSETS**

The League evaluates the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2020.

#### **(k) BENEFICIAL INTEREST IN ASSETS HELD BY AFFILIATE**

The League is the sole corporate member of Friends of the League Foundation (the Foundation), which was formed to operate exclusively for the benefit of the League. According to the accounting rules governing financially interrelated entities, the League, as the ultimate beneficiary, recognizes a beneficial interest in the net assets raised and held on its behalf by the Foundation. Changes in the beneficial interest are reflected as a change in beneficial interest in assets held by affiliate in the statement of activities.

#### **(l) PAYCHECK PROTECTION PROGRAM LOAN**

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the League has been legally released or (2) the League repays the loan to the lender.

#### **(m) CONTRIBUTED GOODS AND SERVICES**

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2020, the League recorded in-kind contributions of \$389,891 primarily for donated supplies and rent.

A substantial number of volunteers have donated significant amounts of their time to the League. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) INCOME TAXES

The League is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the League recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2020, the League performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

#### (o) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the League's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and supporting services by a method that best measures the relative degree of benefit. The League uses program census and salary dollars to allocate indirect costs.

#### (p) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The League has adopted the fair value standard that clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Further, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The fair value accounting standard establishes a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For cash, accounts receivable, pledges receivable, bequests receivable, accounts payable, accrued liabilities and the Paycheck Protection Program loan, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturity. Investments are reflected at estimated fair value as described in Note 3.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

#### (r) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For the League, the ASU will be effective for the year ending June 30, 2021.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the League, the ASU will be effective for the year ending June 30, 2023.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The League implemented the ASU during the year ended June 30, 2020. There was no impact on the League's financial statements as a result of the implementation of this ASU.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)**

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For the League, the ASU will be effective for the year ending June 30, 2022.

**(s) SUBSEQUENT EVENTS**

The League has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 3, 2020, the date these financial statements were available to be issued. No such events were noted to have occurred.

### NOTE 3 - INVESTMENTS

The following table presents information about the League's assets that are measured at fair value on a recurring basis at June 30, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 3,032,266	\$ 3,032,266	\$ -	\$ -
Equities	3,317,666	3,317,666	-	-
Corporate Bonds	346,106	-	346,106	-
Government Securities	248,861	225,032	23,829	-
Money Market Accounts	252,588	252,588	-	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 7,197,487</b>	<b>\$ 6,827,552</b>	<b>\$ 369,935</b>	<b>\$ -</b>

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The corporate bonds and government securities within Level 2 have been valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The League recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and Level 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and Level 3 investments generally relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2020.



# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 4 - BEQUESTS RECEIVABLE

Bequests receivable at June 30, 2020 are expected to be collected as follows:

Within One Year	\$ 547,125
In One to Five Years	400,000
Thereafter	<u>500,000</u>
<b>TOTAL</b>	1,447,125
Less: Present Value Discount	<u>(99,781)</u>
<b>PLEDGES RECEIVABLE (NET)</b>	<u>\$ 1,347,344</u>

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Land	\$ 7,472,243
Buildings	2,807,759
Furniture and Fixtures	537,247
Office and Equipment	152,035
Vehicles	351,684
Computers and Software	205,101
Leasehold Improvements	626,419
Construction in Progress	<u>1,378,283</u>
<b>TOTAL</b>	13,530,771
Less: Accumulated Depreciation	<u>(1,378,571)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<u>\$ 12,152,200</u>

Depreciation expense for the year ended June 30, 2020 was \$135,586.

In 2019, the League began renovation on the new permanent Chapter House located at 6640 Sunset Blvd., Los Angeles. At June 30, 2020, the estimated cost to complete the construction in progress amounted to approximately \$5,000,000. The League plans on moving into the facility in mid-2021.

### NOTE 6 - TRANSACTIONS WITH AFFILIATE

In May 2019, the League entered into a note payable agreement for \$11,000,000 with the Foundation. The note was subject to an interest rate of 6.25% per annum with the principal due on or before May 31, 2026. In January 2020, the Foundation made grants totaling \$11,400,000 to the League for general operations. The League repaid the note payable and interest in February 2020. Total interest incurred and paid during the year ended June 30, 2020 was \$410,616.

The Foundation was established for the exclusive benefit of the League and distributes funds annually, when needed, according to a spending plan. The funds offset administrative costs so that League fundraising can directly benefit the services of the League. Since the League cannot determine the timing and amount of distributions from the Foundation, there is an implied time restriction on the League's beneficial interest in the assets held by the Foundation.

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020 the League applied for and received a PPP loan in the amount of \$442,900. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, had an original term of two years and is unsecured and guaranteed by the SBA. Subsequent to year-end, the lender extended the original term of two years to five years. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If the League does not apply for forgiveness within 10 months after the last day of the covered period (defined, at the League's election, as either 8 weeks or 24 weeks), such payments will be due that month.

Subsequent to year-end, the League submitted its application for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, the League will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2020, the total outstanding balance of the PPP loan was \$442,900.

### NOTE 8 - EMPLOYEE BENEFIT PLAN

The League offers an Internal Revenue Code (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 100% of their eligible compensation, subject to certain limitations under the IRC, 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, 2020, the League contributed \$10,787 as matching contributions.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

#### (a) OBLIGATIONS UNDER OPERATING LEASES

The League leases facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Years Ending June 30,	
2021	\$ 225,917
2022	<u>4,920</u>
<b>TOTAL</b>	<b>\$ <u>230,837</u></b>

Rent expense under operating leases for the year ended June 30, 2020 was \$386,012.

#### (b) CONTRACTS

Certain programs of the League receive funding and support from local, state or federal governments. Accordingly, these programs are subject to inspection and audit that could result in adjustments. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated; however it is unlikely that any such liability would have a material effect on the financial statements.

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 10 - FUNDRAISING EVENTS AND ACTIVITIES**

The League conducts various fundraising events and activities the help fund current operations. The revenue and related expenses from such events and activities for the year ended June 30, 2020, are as follows:

Event/Activity	Revenue	Direct Costs		Other Costs	Net Revenue
		Cost of Merchandise sold	Cost of Direct Benefit to Attendees		
Centennial Gala and Heritage High Tea	\$ 575,739	\$ 4,472	\$ 25,000	\$ 129,862	\$ 416,405
Assistees and Mannequins - La Vie En Rose	44,541	488	9,375	982	33,696
Operation School Bell - A Spring Affaire	20,940	-	-	66	20,874
<b>TOTAL FUNDRAISING EVENTS AND ACTIVITIES</b>	<b>\$ 641,220</b>	<b>\$ 4,960</b>	<b>\$ 34,375</b>	<b>\$ 130,910</b>	<b>\$ 470,975</b>

**NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Undesignated	\$ 14,021,497
Board Designated:	
Board Designated Endowment	4,496,195
Theatre for Children	156,436
Preschool Learning Center	315,801
Operation School Bell - Inventory	577,012
Foster Children's Resource Center - Inventory	163,363
Auxiliary Carryover	192,873
Total Board Designated	5,901,680
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ 19,923,177</b>

**ASSISTANCE LEAGUE® OF LOS ANGELES**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to Expenditure for Specified Purpose:	
Foster Children's Resource Center	\$ 123,477
Hollywood Children's Club	18,004
Children's Services	76,187
Bekins Grant - NOP Facility Repairs	40,162
Subject to Passage of Time:	
Beneficial Interest in Assets Held by Affiliate	36,991,938
Bequest Receivable (Net)	900,219
Subject to Endowment Spending Policy and Appropriation:	
Donor Restricted Permanent Endowment	1,471,657
Donor Restricted Term Endowment	<u>1,229,634</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 40,851,278</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2020:

Satisfaction of Purpose Restrictions:	
Operation School Bell	\$ 537,387
Theatre for Children	126,073
Foster Children's Resource Club	36,043
Children's Services	18,545
Bekins Grant - NOP Facility Repairs	3,657
Scholarships	19,506
Appropriation for Expenditure:	
Endowment Appropriation	92,500
Satisfaction of Passage of Time:	
Bequest Receivable	<u>64,041</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 897,752</u></b>

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 13 - ENDOWMENTS

The League's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to the League, or a term endowment, which is to provide income for a specified period to the League. The Board has interpreted California's Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as donor-restricted net assets is classified as donor-restricted for a specified purpose until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with 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 organization 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 assets classified as donor-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 50%, fixed income 40%, 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**

June 30, 2020

**NOTE 13 - ENDOWMENTS (continued)**

At June 30, 2020, the League's endowment net assets composition by type of fund, as well as the change in endowment net assets for the year then ended was as follows:

<b>Endowment Net Asset Composition by Type of Fund at June 30, 2020</b>	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ 4,496,195	\$ 2,701,291	\$ 7,197,486
 <b>Changes in Endowment Net Assets for the Year Ended June 30, 2020</b>			
Endowment Net Assets -			
Beginning of Year	\$ 4,362,330	\$ 2,698,178	\$ 7,060,508
Contributions/Additions	-	-	-
Investment Return (Net)	283,226	95,613	378,839
Appropriation of Endowment Assets for Expenditure	(149,361)	(92,500)	(241,861)
 <b>ENDOWMENT NET ASSETS - END OF YEAR</b>	 \$ 4,496,195	 \$ 2,701,291	 \$ 7,197,486

**NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The total financial assets held by the League at June 30, 2020 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

<b>Financial Assets at June 30, 2020</b>	
Cash and Cash Equivalents	\$ 3,628,734
Investments	4,238,366
Pledges Receivable	100,000
Bequests Receivable	447,125
 <b>TOTAL FINANCIAL ASSETS WITHOUT DONOR RESTRICTIONS AT JUNE 30, 2020</b>	 8,414,225
 Less Amounts Not Available to Be Used within One Year, Due to:	
Board Designations:	
Operating/Program Reserves	(1,405,485)
Endowments	(4,496,195)
 <b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	 \$ 2,512,545

# ASSISTANCE LEAGUE® OF LOS ANGELES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

The League regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the League's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The League has Board designated net assets of \$5,901,680 that could be drawn upon, with Board approval, to meet unanticipated liquidity needs.

During the year ended June 30, 2020, an outbreak of a novel strain of coronavirus (COVID-19) surfaced in the United States and throughout the world, causing business disruption and significant market volatility, which may negatively impact the League's operations and investment portfolio. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The scope and duration of this impact cannot be reasonably estimated at this time. The League is closely monitoring its investment portfolio values and operations.

### NOTE 15 - BEGINNING NET ASSETS RESTATEMENT

Beginning net assets have been restated for the beneficial interest in assets held by affiliate that was unrecorded in previous years. The impact of the restatement on beginning net assets is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance as Previously Reported	\$ 9,571,454	\$ 3,837,711	\$ 13,409,165
Beneficial Interest in Assets Held by Affiliate	-	46,357,900	46,357,900
<b><i>BALANCE AS RESTATED</i></b>	<b><i>\$ 9,571,454</i></b>	<b><i>\$ 50,195,611</i></b>	<b><i>\$ 59,767,065</i></b>