

NATIONAL ASSISTANCE LEAGUE®

**Independent Auditor's Report and
Financial Statements**

**For the Year Ended May 31, 2012
(With Comparative Totals for 2011)**

NATIONAL ASSISTANCE LEAGUE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Assistance League®

We have audited the accompanying statement of financial position of National Assistance League (a nonprofit organization) as of May 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's May 31, 2011 financial statements and, in our report dated July 19, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Assistance League as of May 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McCord and Llewellyn Accountancy Corporation

La Cañada, California

August 8, 2012

**NATIONAL ASSISTANCE LEAGUE
STATEMENT OF FINANCIAL POSITION
MAY 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)**

	2012	2011
ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,812,154	\$ 1,515,530
Accounts receivable	14,656	47,349
Prepaid expenses	81,499	79,643
Investments (Note 3)	1,919,729	2,076,886
Note receivable (Note 4)	439,616	452,868
Property and equipment (Note 5)	19,885	36,300
TOTAL ASSETS	<u>\$ 4,287,539</u>	<u>\$ 4,208,576</u>
LIABILITIES		
Accounts payable	\$ 204,654	\$ 176,922
Accrued expenses	18,536	23,021
Deferred dues revenue (Note 6)	24,915	70,870
Other deferred revenue	62,363	118,393
TOTAL LIABILITIES	<u>310,468</u>	<u>389,206</u>
NET ASSETS (Note 7)		
Unrestricted	3,945,428	3,780,513
Temporarily restricted	21,643	28,857
Permanently restricted	10,000	10,000
TOTAL NET ASSETS	<u>3,977,071</u>	<u>3,819,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,287,539</u>	<u>\$ 4,208,576</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL ASSISTANCE LEAGUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2011)

	Year Ended May 31, 2012			Year Ended May 31, 2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Membership dues	\$ 789,843	\$ -	\$ -	\$ 789,843
Conference and workshop fees	564,747	-	-	564,747
Contributions, including in kind of \$46,959	235,593	20,800	-	256,393
Other	27,525	-	-	27,525
Net assets released from restrictions:				
Satisfaction of purpose restrictions	27,577	(27,577)	-	-
TOTAL SUPPORT AND REVENUES	1,645,285	(6,777)	-	1,638,508
EXPENSES:				
Program services:				
Conferences and workshops	777,952	-	-	777,952
Chapter services	293,141	-	-	293,141
Public relations and marketing	75,913	-	-	75,913
Chapter and guild development	17,802	-	-	17,802
Total program services expenses	1,164,808	-	-	1,164,808
Supporting services:				
Fundraising - Circle campaign	113,743	-	-	113,743
Management and general	109,398	-	-	109,398
Total supporting services expenses	223,141	-	-	223,141
TOTAL EXPENSES	1,387,949	-	-	1,387,949
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN	257,336	(6,777)	-	250,559
Investment return, net (Note 3)	(92,421)	(437)	-	(92,858)
CHANGE IN NET ASSETS	164,915	(7,214)	-	157,701
NET ASSETS AT BEGINNING OF YEAR	3,780,513	28,857	10,000	3,819,370
NET ASSETS AT END OF YEAR	\$ 3,945,428	\$ 21,643	\$ 10,000	\$ 3,977,071

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSISTANCE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2011)**

	Year Ended May 31, 2012										Year Ended May 31, 2011	
	Program Services					Supporting Services					Total	Total
	Conferences and Workshops	Chapter Services	Public Relations and Marketing	Chapter and Guild Development	Program Services	Fundraising Circle	Management and General	Supporting Services	Total Expenses	Total Expenses	Total Expenses	Total Expenses
Salaries and benefits	\$ 101,591	\$ 38,097	\$ 20,318	\$ 2,540	\$ 162,546	\$ 50,795	\$ 40,636	\$ 91,431	\$ 253,977	\$ 208,180	\$ 208,180	\$ 208,180
Lodging, meals and transportation	472,957	775	99	2,862	476,693	124	1,843	1,967	478,660	596,300	596,300	596,300
Board/Committee travel	2,612	168,727	1,237	8,498	181,074	1,156	24,385	25,541	206,615	201,323	201,323	201,323
Occupancy:												
Rent	19,580	23,496	8,615	783	52,474	7,832	18,013	25,845	78,319	76,038	76,038	76,038
Insurance	1,591	663	221	44	2,519	884	1,017	1,901	4,420	3,403	3,403	3,403
Printing	10,055	17,466	4,472	69	32,062	5,698	3,096	8,794	40,856	39,108	39,108	39,108
Audio visual	72,034	1,098	-	-	73,132	-	-	-	73,132	83,576	83,576	83,576
Professional Services	18,910	23,632	35,167	141	77,850	3,611	7,877	11,488	89,338	105,756	105,756	105,756
Speaker fees and other costs	38,605	-	-	-	38,605	-	-	-	38,605	39,170	39,170	39,170
Postage and freight	1,929	1,548	346	43	3,866	8,357	1,929	10,286	14,152	16,340	16,340	16,340
Operating supplies	10,185	595	296	964	12,040	21,814	2,710	24,524	36,564	28,064	28,064	28,064
Depreciation and amortization	7,215	2,706	1,443	181	11,545	3,606	2,885	6,491	18,036	15,682	15,682	15,682
Other	-	489	786	-	1,275	264	(1,417)	(1,153)	122	3,618	3,618	3,618
Telephone	1,694	4,956	395	36	7,081	970	461	1,431	8,512	5,452	5,452	5,452
Merchandise sales, net	-	-	-	-	-	-	-	-	-	5,157	5,157	5,157
Office supplies	2,507	1,333	586	73	4,499	1,492	981	2,473	6,972	4,397	4,397	4,397
Education	1,716	888	343	43	2,990	858	904	1,762	4,752	-	-	-
Bank and merchant fees	9,767	508	63	6	10,344	2,155	82	2,237	12,581	16,922	16,922	16,922
Equipment rental	3,749	4,499	1,350	150	9,748	3,749	1,501	5,250	14,998	21,781	21,781	21,781
Program supplies	-	1,322	-	-	1,322	-	-	-	1,322	1,800	1,800	1,800
Outside services	755	283	151	19	1,208	378	302	680	1,888	2,643	2,643	2,643
Grants to chapters and guilds	-	-	-	1,350	1,350	-	-	-	1,350	9,850	9,850	9,850
Director & Officer Insurance	-	-	-	-	-	-	2,193	2,193	2,193	2,693	2,693	2,693
Entertainment	500	60	-	-	560	-	-	-	560	500	500	500
Public relations and advertising	-	-	25	-	25	-	-	-	25	3,654	3,654	3,654
Total Expenses	\$ 777,952	\$ 293,141	\$ 75,913	\$ 17,802	\$ 1,164,808	\$ 113,743	\$ 109,398	\$ 223,141	\$ 1,387,949	\$ 1,491,407	\$ 1,491,407	\$ 1,491,407

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSISTANCE LEAGUE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2011)**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 157,701	\$ 665,171
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	18,036	15,682
Net realized and unrealized (gains) losses on investments	157,157	(397,135)
(Increase) decrease in accounts receivable	32,693	(39,633)
(Increase) decrease in prepaid expenses and inventories	(1,856)	74,882
Increase (decrease) in accounts payable and accrued expenses	23,247	52,414
Increase (decrease) in deferred dues and other deferred revenue	<u>(101,985)</u>	<u>(67,226)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>284,993</u>	<u>304,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on note receivable	13,252	12,339
Purchase of property, equipment, software and website	(1,621)	(13,153)
Proceeds from sale of investments	-	337,000
Purchase of investments	<u>-</u>	<u>(149,214)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,631</u>	<u>186,972</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	296,624	491,127
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,515,530</u>	<u>1,024,403</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,812,154</u>	<u>\$ 1,515,530</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Assistance League was founded in 1935 and is a nonprofit organization that puts caring and commitment into action through 117 chapters and 3 guilds, involving 26,000 volunteer members. Chapters and guilds provide vital human services through programs such as Operation School Bell[®], the signature program of Assistance League which provides assistance to children in need. Chapters determine the specific needs in their local communities, then develop, fund and implement the program.

National Assistance League supports the promotion and growth of effective volunteerism through leadership training and education. The following programs are provided by National Assistance League to its member chapters and guilds:

- Conferences and workshops provide education, networking and training through the National Annual Conference, Leadership Conference, the Treasurers' Workshop and the Assisteens[®] Conference.
- Chapter services include assisting chapters in achieving and maintaining standards of operation; developing policies and materials through handbooks and manuals; promoting an interchange of ideas through chapter visits; and professional development, training and educational programs for the National Board and Committees.
- Public relations and marketing acquaint the public with the purpose and activities of Assistance League chapters and guilds nationwide and assist and advise chapters, guilds and auxiliaries of issues related directly to the community-based philanthropic programs and services they provide.
- Chapter and guild development promotes growth of the organization through the establishment of new chapters and guilds where community needs are the basic criteria for establishment of a new service organization.

National Assistance League's support and revenue come primarily from membership dues, conference and workshop fees, contributions and investment return. Contributions come primarily from Assistance League members and chapters to the Circle campaign to support the educational programs for volunteer members.

Basis of Accounting

The financial statements of National Assistance League have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Basis of Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, National Assistance League is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with National Assistance League's financial statements for the year ended May 31, 2011, from which the summarized information was derived.

Fair Value Measurements

National Assistance League follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

For purposes of financial reporting, National Assistance League has determined that the fair values of its financial instruments, which include cash equivalents, accounts receivable, notes receivable, accounts payable, and accrued expenses, approximate the carrying values at May 31, 2012, based on their short maturities and/or the terms available to National Assistance League in financial markets.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts, time deposits, certificates of deposit and all highly liquid investments with original maturities of three months or less.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Investments

National Assistance League carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Restricted gains and investment income whose restrictions are met in the same period the gains or income are recognized and reported as unrestricted revenue.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose National Assistance 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. Checking and savings accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Money market accounts held for investments are insured by Securities Investor Protection Corporation (SIPC) up to \$500,000. National Assistance League investments are further insured by additional insurance thru Customer Asset Protection Company which covers net equity in excess of the coverage provided by SIPC. As of May 31, 2012, National Assistance League had no uninsured balances and has not experienced any losses on its cash or cash equivalents. National Assistance League's investments does not represent significant concentrations of market risk in as much as National Assistance League's investment portfolio is adequately diversified among issuers.

Property and Equipment

Property and equipment are stated at cost or at the fair value at the date of donation in the case of donated assets. Property and equipment acquisitions in excess of \$1,000 are capitalized. National Assistance League provides for depreciation and amortization of property and equipment by use of the straight-line method over the estimated useful lives as follows:

Furniture and equipment	5 to 10 years
Software and website	3 years

Deferred Revenue

Membership dues and program service fees collected prior to the fiscal year to which they apply are deferred and recognized over the periods to which the dues and fees relate.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Materials and Services

Significant materials and services are donated to National Assistance League by various individuals, corporations and other organizations. Donated materials, travel, meals, lodging, and professional services of \$46,959 for the year ended May 31, 2012 are reflected in the accompanying financial statements at their fair values at the date of donation.

In addition, a significant portion of National Assistance League's program services, fundraising and administrative functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the year ended May 31, 2012, these volunteers donated approximately 48,500 (unaudited) hours with an estimated value of \$1,064,090. This value was computed using an estimated hourly rate of \$21.94, based upon the average hourly earnings of nonagricultural workers for the time period of \$19.59, as determined by the U.S. Department of Labor's Bureau of Labor Statistics, plus 12% for estimated fringe benefits.

Tax Status

National Assistance League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, National Assistance League qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). National Assistance League is also exempt from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California.

National Assistance League has applied the provisions of Financial Accounting Standards Board's Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, nonpublic enterprises, including nonprofit organizations, are required to record a tax liability when substantial uncertainties exist as to whether certain income is exempt from federal, state and local income tax. As of May 31, 2012, National Assistance League had no substantial uncertain income tax positions.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Tax Status - continued

National Assistance League's federal returns are subject to examination by federal taxing authorities, generally for three years after they are filed and the National Assistance League's state returns are subject to examination by the state taxing authorities, generally for four years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at May 31, 2012 consist of the following:

Checking and savings accounts:

Checking Account - Bank of America	\$ 25,424
Savings Account - Bank of America	75,228
Savings Account - Bankers Trust	245,488
Savings Account - Capital One	249,166
Savings Account - ING Direct	199,183
Money Market - Treasury Fund Capital Reserves (including \$3,757 temporarily and permanently restricted for the Hillgren Fund)	<u>1,017,665</u>
Total cash and cash equivalents	<u>\$ 1,812,154</u>

NOTE 3 - INVESTMENTS

Investments are stated at fair value and consist of the following at May 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Exchange traded funds	\$ 1,912,643	\$ 551	\$ 6,535	\$ 1,919,729
Total investments	<u>\$ 1,912,643</u>	<u>\$ 551</u>	<u>\$ 6,535</u>	<u>\$ 1,919,729</u>

The fair value of these assets is based on Level 1 measurements.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 3 - INVESTMENTS - (continued)

The permanently restricted investments represent a donor-stipulated contribution, the income from which is expendable to support unreimbursed expenses of the president incurred in the performance of duties on behalf of National Assistance League. The temporarily restricted investments consist of unexpended earnings on the permanently restricted assets.

Investment return for the year ended May 31, 2012 is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 80,073	\$ 162	\$ 80,235
Net unrealized (losses)	(156,558)	(599)	(157,157)
Less investment advisory and custodial fees	(15,936)	-	(15,936)
Total investment return, net	<u>\$ (92,421)</u>	<u>\$ (437)</u>	<u>\$ (92,858)</u>

NOTE 4 - NOTE RECEIVABLE

The note receivable with PATH, a California nonprofit benefit corporation at May 31, 2012 consists of the following:

Interest rate - 7.85%; due April 30, 2013; monthly principal and interest payments of \$4,028; balloon payment due April 30, 2013; secured by real property	<u>\$ 439,616</u>
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NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2012:

Furniture and equipment	\$ 70,611
Software and website	88,910
	<u>159,521</u>
Less accumulated depreciation and amortization	<u>(139,636)</u>
Total property and equipment, net	<u>\$ 19,885</u>

Depreciation and amortization expense for the year ended May 31, 2012 - \$18,036

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 6 - DEFERRED DUES REVENUE

The deferred dues revenue balance at May 31, 2012 reflects 2012-2013 membership dues received before May 31, 2012 year end.

NOTE 7 - NET ASSETS

At May 31, 2012, net assets were restricted by donors or designated by the Board of Directors as follows:

Unrestricted net assets:

Designated real estate proceeds for quasi-endowment	\$ 1,660,000
Designated reserved for one year's operating expenses	1,570,000
Undesignated	<u>715,428</u>
Total unrestricted net assets	<u>3,945,428</u>

Temporarily restricted for:

Circle contributions for 2012 - 2013 fiscal year	20,800
Hillgren Fund accumulated interest earnings in excess of expense	<u>843</u>
Total temporarily restricted net assets	<u>21,643</u>

Permanently restricted for:

Hillgren Fund	<u>10,000</u>
Total permanently restricted net assets	<u>10,000</u>
Total net assets	<u>\$ 3,977,071</u>

NOTE 8 - LEASES

National Assistance League leases office space under an operating lease that expires in 2013 and a copier under an operating lease that expires in 2015. Minimum future rental payments due under these leases at May 31, 2012 are summarized as follows:

Year ending May 31, 2013	\$ 97,193
2014	16,524
2015	<u>11,017</u>
	<u>\$ 124,734</u>

Rent expense for the year ended May 31, 2012 - \$93,317

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

National Assistance League has evaluated events subsequent to May 31, 2012, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through August 8, 2012, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 10 - CONCENTRATIONS

National Assistance League operates from one location in Burbank, California.

During the year ended May 31, 2012, National Assistance League received 25% of its total support and revenue from the annual conference.

As of May 31, 2012, National Assistance League had a note receivable from PATH (see Note 4) in the amount of \$439,616.

NOTE 11 - COMMITMENTS

As of May 31, 2012, National Assistance League has entered into contracts with various hotels through September 19, 2016 for meeting space and room rentals associated with its Annual Conferences and/or Workshops. In the event of conference or workshop cancellation or not fulfilling various requirements of the contracts, National Assistance League may be liable for certain cancellation and attendance shortfall costs.

NOTE 12 - ENDOWMENTS

The Board of Directors of National Assistance League interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, National Assistance League classifies as permanently restricted net assets, the original value of gifts donated to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by National Assistance League in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, National Assistance League considers the following factors in making a determination of whether to invest or appropriate donor-restricted endowment funds:

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 12 - ENDOWMENTS - (continued)

1. the duration and preservation of the fund
2. the purposes of National Assistance 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 National Assistance League
7. the investment policies of National Assistance League

National Assistance League's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes.

To satisfy its long-term rate-of-return objectives, National Assistance League relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current earnings (interest and dividends). National Assistance League targets a diversified asset allocation.

Endowment funds are maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated annually to the endowment fund in proportion to the fund's share of the investment pools.

If the fair market value of the endowment principal, at the end of the reporting period, is less than the corpus, which includes all initial and all subsequent gifts from donors, no additional funds will be made "available to spend." Accordingly, over the long-term, National Assistance League expects the current spending policy to allow its endowment assets to provide real growth over the average rate of inflation annually. This is consistent with the objective to maintain purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns. The spending policy is approved on an annual basis by the Board of Directors.

**NATIONAL ASSISTANCE LEAGUE
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2012**

NOTE 12 - ENDOWMENTS - (continued)

At May 31, 2012, endowment net assets consisted of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowments to be held in perpetuity	\$ -	\$ 10,000	\$ 10,000
Donor restricted endowments which may be distributed for President expenses	<u>843</u>	<u>-</u>	<u>843</u>
Total	<u>\$ 843</u>	<u>\$ 10,000</u>	<u>\$ 10,843</u>

The changes in endowment net assets for the year ended May 31, 2012 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 1, 2011	<u>\$ 2,630</u>	<u>\$ 10,000</u>	<u>\$ 12,630</u>
Investment return:			
Investment income	162	-	162
Net (depreciation) realized and unrealized	<u>(599)</u>	<u>-</u>	<u>(599)</u>
Total investment return	(437)	-	(437)
Appropriation of endowment assets for expenditure	<u>(1,350)</u>	<u>-</u>	<u>(1,350)</u>
Endowment net assets, May 31, 2012	<u>\$ 843</u>	<u>\$ 10,000</u>	<u>\$ 10,843</u>