

Audited Financial Statements



May 31, 2019

Quigley & Miron

**National Assistance League
Audited Financial Statements
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May 31, 2019**

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Independent Auditor's Report

Board of Directors
National Assistance League
Burbank, California

We have audited the accompanying financial statements of National Assistance League, a nonprofit organization, which comprise the statement of financial position as of May 31, 2019, 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. 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 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 National Assistance League as of May 31, 2019, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
July 16, 2019

**National Assistance League
Statement of Financial Position
May 31, 2019**

Assets

| | |
|------------------------------------|------------|
| Cash and cash equivalents | \$ 567,211 |
| Accounts receivable | 202,769 |
| Prepaid expenses | 77,494 |
| Investments—Note 4 | 4,405,859 |
| Property and equipment, net—Note 5 | 105,063 |

Total Assets \$ 5,358,396

Liabilities and Net Assets

| | |
|--------------------------------------|-----------|
| Accounts payable | \$ 35,451 |
| Accrued liabilities | 304,606 |
| Deferred dues and conference revenue | 575,618 |
| Other deferred revenue | 6,000 |
| Capital lease obligation—Note 6 | 24,174 |

Total Liabilities 945,849

Net Assets

| | |
|-----------------------------------|-----------|
| Without donor restrictions—Note 8 | |
| Undesignated | 4,329,556 |
| Board-designated | 36,000 |

Total Net Assets Without Donor Restrictions 4,365,556

| | |
|--------------------------------|--------|
| With donor restrictions—Note 9 | 46,991 |
|--------------------------------|--------|

Total Net Assets 4,412,547

Total Liabilities and Net Assets \$ 5,358,396

See notes to the financial statements.

**National Assistance League
Statement of Activities
Year Ended May 31, 2019**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------------------|---------------------------------------|------------------------------------|----------------------------|
| Support and Revenues | | | |
| Membership dues | \$ 900,113 | \$ | \$ 900,113 |
| Conference fees | 131,525 | | 131,525 |
| Contributions | 176,313 | | 176,313 |
| Interest and dividends | 115,263 | | 115,263 |
| Net assets released from restrictions | 897 | (897) | |
| Total Support and Revenues | 1,324,111 | (897) | 1,323,214 |
| Expenses | | | |
| Program services | | | |
| Chapter educational conferences | 393,296 | | 393,296 |
| Chapter services | 819,613 | | 819,613 |
| Total Program Services | 1,212,909 | | 1,212,909 |
| Supporting services | | | |
| Management and general | 250,866 | | 250,866 |
| Membership and Fund development | 228,231 | | 228,231 |
| Total Supporting Services | 479,097 | | 479,097 |
| Total Expenses | 1,692,006 | | 1,692,006 |
| Change in Net Assets in Operations | (367,895) | (897) | (368,792) |
| Nonoperating activities | | | |
| Investment return, net—Note 4 | (168,267) | (67) | (168,334) |
| Other income | 10,741 | | 10,741 |
| Change in Nonoperating Activities | (157,526) | (67) | (157,593) |
| Change in Net Assets | (525,421) | (964) | (526,385) |
| Net Assets at Beginning of Year | 4,890,977 | 47,955 | 4,938,932 |
| Net Assets at End of Year | <u>\$ 4,365,556</u> | <u>\$ 46,991</u> | <u>\$ 4,412,547</u> |

See notes to financial statements.

**National Assistance League
Statement of Functional Expenses
Year Ended May 31, 2019**

| | Program Services | | | Supportive Services | | | 2019 Total |
|-------------------------------------|---------------------------------------|---------------------|---------------------|---------------------------|---------------------------------------|-------------------|---------------------|
| | Chapter Educational Conferences | Chapter Services | Total | Management and General | Membership and Fund Development | Total | |
| Travel - chapter support and other | \$ 44,731 | \$ 268,033 | \$ 312,764 | \$ 32,963 | \$ 27,898 | \$ 60,861 | \$ 373,625 |
| Salaries and benefits | 71,027 | 113,644 | 184,671 | 92,335 | 78,130 | 170,465 | 355,136 |
| Other professional services | 17,902 | 167,162 | 185,064 | 18,493 | 17,543 | 36,036 | 221,100 |
| Attendee meals, travel, and lodging | 180,820 | | 180,820 | | | | 180,820 |
| Accounting services | 21,849 | 40,209 | 62,058 | 27,754 | 23,484 | 51,238 | 113,296 |
| Conference planning services | | 103,851 | 103,851 | | | | 103,851 |
| Technology services | 660 | 44,021 | 44,681 | 19,909 | 19,776 | 39,685 | 84,366 |
| Occupancy | 15,350 | 24,559 | 39,909 | 19,954 | 16,885 | 36,839 | 76,748 |
| Depreciation | 9,547 | 15,275 | 24,822 | 12,411 | 10,502 | 22,913 | 47,735 |
| Operating supplies | 5,691 | 5,624 | 11,315 | 2,518 | 12,369 | 14,887 | 26,202 |
| Dues and subscriptions | 772 | 10,196 | 10,968 | 5,642 | 5,566 | 11,208 | 22,176 |
| Audio visual services | 9,329 | 5,880 | 15,209 | | | | 15,209 |
| Miscellaneous expenses | 2,996 | 4,665 | 7,661 | 3,896 | 3,571 | 7,467 | 15,128 |
| Printing | 3,857 | 5,260 | 9,117 | 2,916 | 1,614 | 4,530 | 13,647 |
| Insurance | 1,367 | 2,188 | 3,555 | 7,310 | 1,504 | 8,814 | 12,369 |
| Telephone | 767 | 4,877 | 5,644 | 2,615 | 2,463 | 5,078 | 10,722 |
| Interest and bank fees | 4,981 | 104 | 5,085 | 84 | 3,566 | 3,650 | 8,735 |
| Marketing services | 1,400 | 2,240 | 3,640 | 1,820 | 1,540 | 3,360 | 7,000 |
| Postage and freight | 250 | 1,825 | 2,075 | 246 | 1,820 | 2,066 | 4,141 |
| Total Expenses | \$ 393,296 | \$ 819,613 | \$ 1,212,909 | \$ 250,866 | \$ 228,231 | \$ 479,097 | \$ 1,692,006 |

See notes to financial statements.

**National Assistance League
Statement of Cash Flows
Year Ended May 31, 2019**

Cash Flows from Operating Activities

| | |
|-----------------------------------------------------------------------------------------|------------------|
| Change in net assets | \$ (526,385) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 47,735 |
| Realized and unrealized investment losses | (135,454) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (202,769) |
| Prepaid expenses | (22,541) |
| Accounts payable | (45,610) |
| Accrued liabilities | 50,277 |
| Deferred dues and conference revenue | 405,708 |
| Net Cash Used in Operating Activities | (429,039) |

Cash Flows from Investing Activities

| | |
|--------------------------------------------------|----------------|
| Purchases of property and equipment | (3,386) |
| Proceeds on sales/maturities of investments | 4,978,087 |
| Purchases of investments | (4,376,974) |
| Net Cash Provided by Investing Activities | 597,727 |

Cash Flows from Financing Activities

| | |
|------------------------------------------------|----------------|
| Principal payments on capital lease obligation | (4,949) |
| Net Cash Used in Financing Activities | (4,949) |

**Net Increase in
Cash and Cash Equivalents** **163,739**

**Cash and Cash Equivalents
at Beginning of Year**

403,472

**Cash and Cash Equivalents
at End of Year**

\$ 567,211

Supplemental Disclosures

| | |
|-------------------|----------|
| Income taxes paid | \$ |
| Interest paid | \$ 3,558 |

See notes to financial statements.

**National Assistance League
Notes to Financial Statements
May 31, 2019**

Note 1—Organization

Organization—National Assistance League®, founded in 1935, is a California nonprofit corporation dedicated to Transforming Lives • Strengthening Community® by perpetuating a philosophy of volunteer service to address unmet social needs. With 120 chapters across the United States, National Assistance League carries out its work by creating and maintaining programs targeted to meet the specific needs of the communities which they serve. Members have a voice in governing their chapters, thereby becoming valued assets in their local communities. National Assistance League volunteers touch over 1.5 million lives while contributing over 3 million hours in service to their communities, which in turn generates over \$43,600,000 in aggregate that is returned to local economies.

Nature of Activities—Over the years, National Assistance League has enabled thousands of volunteers to effectively lead their local chapters by providing administrative, legal and operational guidance. The guidance includes written resources available on the website, annual president, treasurer, and Assisteens® leader training, and National Conference. The following outlines the tools used by National Assistance League to support the growth of effective volunteerism in the chapters:

National Educational Conference and Leadership Training—Chapter educational conferences provide education, networking and training. Member volunteers and leaders find these sessions to be worthwhile and beneficial. The sessions cover many relevant topics including technical knowledge, new concepts and ideas, and human resource management. In addition, the educational sessions offer great networking opportunities for attendees to meet members from across the country, compare notes, offer suggestions, share ideas, and support each other.

Chapter Services—Chapter Services Support Team is a committee composed of experienced National Leadership Team volunteers partnering with chapters to support and carry out the organization’s mission of transforming lives through community programs.

Chapter Services’ goals are to empower chapter leaders to understand the basic legal, fiscal, and fiduciary requirements of managing a 501(c)(3); to serve as a valuable resource to help guide chapters through the challenges of running their chapter; and most importantly, to listen and celebrate chapter’s successes while providing a valuable link and touchpoint to the national organization and current initiatives.

Chapter Services Support Team provides chapters with:

- 1) A complete library of resources for managing the chapter including policies and procedures;
- 2) On-site visits that promote the interchange of ideas;
- 3) On-site training of incoming boards; and
- 4) A staff of paid and volunteer experts to respond to the specific chapter concerns in the areas of:
 - a) Bylaws, Governance, Membership;
 - b) Finance, Accounting;
 - c) Programs;
 - d) Resource Development, Strategic Planning, Marketing Communications; and
 - e) Technology.

National Assistance League
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Highlights of the Year—During the year ended May 31, 2019, an outside consultant was engaged to help shape and revitalize the national conference content and format to make it more attractive to today's volunteer. As part of that process, National Assistance League has decided to hold the national conference on alternating years beginning in 2019. This decision allows more time for the national organization to properly plan and execute conferences and recognizes the ever-increasing cost of hosting such an event, allowing for expenditures on chapter educational events in the years when a conference is not held to be less than in years when there is a conference. The decision not to hold a conference also affected contributed income to the national organization since that event was one way in which contributions were solicited and received. National Assistance League has accepted the challenge of reviewing and revising our solicitation approach to help limit this off-year decline in the future.

With the national organization's continued commitment to increasing the use of technology to facilitate its work, a dedicated Salesforce staff person was hired during the fiscal year to assist and lead in the integration process. This has enabled the collection of measurable program outcomes from chapters, as well as consolidating key financial data to show the impact of Assistance League on a national level, along with many other significant operational benefits.

Looking ahead to the fiscal year ending May 31, 2020, the national organization recently hired an executive director, filling the position for the first time in over five years. The board is confident the role will bring increased awareness of the Assistance League brand with an emphasis on national fundraising, as well as greater nonprofit business acumen and planning with an eye toward the future for the national organization.

Support and Revenue—National Assistance League's support and revenue is primarily derived from per-capita membership dues, conference fees, contributions, and investment return. Currently, most contributions are received from Assistance League members and local chapters donating to the Circle Fund. Circle Fund supports the educational programs provided at the national level for all members.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. National Assistance League has adopted ASU 2016-14 for the year ended May 31, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. National Assistance League recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of National Assistance League and changes therein are classified and reported as follows:

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of National Assistance League. These net assets may be used at the discretion of National Assistance League’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of National Assistance League and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit National Assistance League to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of membership services, conference activities, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—National Assistance League is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, National Assistance League has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at May 31, 2019. Generally, National Assistance League’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. ASU 2015-07 has been adopted for the year ended May 31, 2019.

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Cash and Cash Equivalents—National Assistance League considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value 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 are reported as net assets without donor restrictions.

Property and Equipment—Property and equipment are stated at cost when purchased, or estimated fair market value at the date of gift or bequest. National Assistance League depreciates its property and equipment using the straight-line-method over the following estimated useful lives.

| | |
|-------------------------|---------------|
| Furniture and equipment | 5 to 10 years |
| Website and software | 3 to 5 years |
| Leasehold improvements | 15 years |

National Assistance League follows the practice of capitalizing all expenditures for property in excess of \$1,000.

Deferred Membership Dues and Conference Fees—Membership dues and conference fees collected prior to the fiscal year to which they apply are deferred and recognized over the period to which the dues and fees relate.

Concentration of Credit Risk—Cash and cash equivalents, investments in securities, and receivables are the primary form of concentration of credit risk to which National Assistance League is subject. National Assistance League places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, in the normal course of business, such cash balances are in excess of the FDIC/SIPC insurance limits, but management deems the risk of loss due to these concentrations to be minimal. Conservative investment guidelines established by the Board of Directors govern National Assistance League investments in securities to achieve diversification of the portfolio. National Assistance League assessed the credit risk associated with investments held at May 31, 2019, and has determined that an allowance for potential losses due to credit risk is not necessary.

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Contributions—All contributions are considered to be available for unrestricted use unless specifically restricted by the grantor/donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are satisfied in the same reporting period are reported as net assets without donor restrictions.

Donated Services—Services donated to National Assistance League are recognized as in-kind donations when services received 1) create or enhance nonfinancial assets or 2) require specialized skills. A significant portion of National Assistance League's program services, fundraising, and administrative functions are conducted by unpaid volunteers, which do not meet these criteria. During the year ended May 31, 2019, these volunteers donated approximately 41,666 hours with an estimated value of \$1,074,149. This value was computed using an estimated hourly rate of \$25.78, based upon the average hourly earnings of nonagricultural workers for the twelve-month period ended May 31, 2019, as determined by the U.S. Department of Labor's Bureau of Labor Statistics, and includes 12% for estimated fringe benefits.

Allocation of Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Conference planning services, audio visual services, and attendee meals, travel, and lodging are directly allocated based on the programs they benefit. Travel—chapter support and other, other professional services, operating supplies, and printing are first allocated directly to the programs they benefit and then based on estimates of time and effort. All other functional expenses are allocated based on estimates of time and effort.

Note 3—Availability and Liquidity

National Assistance League's goal is generally to maintain cash to meet two to three months of operating expenses (approximately \$300,000-\$400,000). As part of its liquidity plan, excess cash is invested in a diversified investment portfolio, including money market and other funds described in Note 4.

The following represents the availability and liquidity of National Assistance League's financial assets at May 31, 2019 to cover operating expenses for the next fiscal year:

| | |
|-------------------------------------------------|----------------------------|
| Cash and cash equivalents | \$ 567,211 |
| Accounts receivable | 202,769 |
| Investments | 4,405,859 |
| Current Availability of Financial Assets | <u>\$ 5,175,839</u> |

National Assistance League
Notes to Financial Statements—Continued

Note 4—Investments and Fair Value

In determining the fair value of investments, National Assistance League utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. National Assistance League determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the National Assistance League at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

National Assistance League may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by National Assistance League to value is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. National Assistance League had no investments classified at NAV as a practical expedient during the year ended May 31, 2019.

Investments measured on a recurring basis at May 31, 2019 consist of the following:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------|----------------------------|----------------------------|------------------|------------------|
| Equity funds | \$ 2,494,661 | \$ 2,494,661 | \$ | \$ |
| Fixed income funds | 1,595,798 | 1,595,798 | | |
| Real estate fund | 65,543 | 65,543 | | |
| Commodities fund | 249,857 | 249,857 | | |
| Totals | <u>\$ 4,405,859</u> | <u>\$ 4,405,859</u> | <u>\$</u> | <u>\$</u> |

Investment return, net for the year ended May 31, 2019 consists of the following

| | |
|--------------------------------|----------------------------|
| Realized and unrealized losses | \$ (135,454) |
| Investment management fees | (32,880) |
| Investment Return, Net | <u>\$ (168,334)</u> |

National Assistance League
Notes to Financial Statements—Continued

Note 5—Property and Equipment, Net

Net property and equipment at May 31, 2019 consists of the following:

| | |
|-----------------------------------|--------------------------|
| Furniture, fixtures and equipment | \$ 167,022 |
| Website and software | 192,234 |
| Leasehold improvements | <u>15,000</u> |
| Gross | 374,256 |
| Less accumulated depreciation | <u>(269,193)</u> |
| Net | <u>\$ 105,063</u> |

Total depreciation expense recorded for the year ended May 31, 2019 was \$47,735.

Note 6—Leases

National Assistance League leases equipment under a capital lease. The cost of the equipment and the corresponding accumulated depreciation as of May 31, 2019 amounted to \$31,000 and \$8,783, respectively. Future minimum payments under this lease at May 31, 2019 consist of the following:

| | |
|------------------------------------------------|-------------------------|
| <u>Year Ending May 31,</u> | |
| 2020 | \$ 8,508 |
| 2021 | 8,508 |
| 2022 | 8,508 |
| 2023 | <u>4,958</u> |
| Total Minimum Lease Payments | 30,482 |
| Less: total interest expense | <u>(6,308)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 24,174</u> |

National Assistance League leases office space under an operating lease expiring in May 2023. Future minimum lease payments under this lease are as follows:

| | |
|----------------------------|--------------------------|
| <u>Year Ending May 31,</u> | |
| 2020 | \$ 65,409 |
| 2021 | 67,371 |
| 2022 | 69,393 |
| 2023 | <u>71,474</u> |
| Total | <u>\$ 273,647</u> |

National Assistance League
Notes to Financial Statements—Continued

Note 7—Commitments

As of May 31, 2019, National Assistance League has entered into contracts with various hotels through September 2023 for meeting space and room rentals associated with conferences. In the event of conference cancellation or inability to fulfill contractual requirements, National Assistance League may be liable for certain cancellation and attendance shortfall costs.

Note 8—Net Assets Without Donor Restrictions

Net assets without donor restrictions at May 31, 2019 consist of the following:

| | |
|-------------------------------------|----------------------------|
| Undesignated | \$ 4,329,556 |
| Designated for future capital needs | <u>36,000</u> |
| Total | <u>\$ 4,365,556</u> |

Note 9—Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31, 2019 consist of the following:

| | |
|--------------------------------------------------------------------------------------|-------------------------|
| Subject to time restrictions: | |
| Circle 2019-2020 | \$ 37,058 |
| Subject to National Assistance League's endowment spending policy and appropriation: | |
| Endowment | 10,000 |
| Underwater endowment | <u>(67)</u> |
| Total | <u>\$ 46,991</u> |

Net assets released from donor restrictions for the year ended May 31, 2019 are as follows:

| | |
|----------------------------------|----------------------|
| Satisfaction of time restriction | <u>\$ 897</u> |
| Total | <u>\$ 897</u> |

National Assistance League
Notes to Financial Statements—Continued

Note 10—Endowment Fund

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds) whether or not the organization is subject to UPMIFA.

National Assistance League's Endowment Fund includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

National Assistance League classifies as net assets with donor restrictions held in perpetuity (Corpus) (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by National Assistance League.

In accordance with UPMIFA, National Assistance 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 organization
- (7) The investment policies of the organization

The primary long-term financial objective is to preserve and enhance the real (i.e., inflation-adjusted) purchasing power of the endowment through a prudent long-term investment strategy expected to earn an average annual nominal return consistent with the market. National Assistance League manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase / decrease in market value of securities for the fiscal year, not favoring returns from one source over another.

National Assistance League has a policy governing the amount of endowment earnings that can be released annually for spending, consistent with the restrictions, if any, placed on the endowment by donors. The spending policy authorizes an annual distribution equal to the annual net realized investment return, including interest and dividends during the year.

National Assistance League
Notes to Financial Statements—Continued

Note 10—Endowment Fund—Continued

Endowment net assets composition by type of fund as of May 31, 2019 is as follows:

| | Perpetual in Nature | Total |
|------------------------------------------------------|--------------------------------|-----------------|
| Donor-restricted endowments to be held in perpetuity | <u>\$ 9,933</u> | <u>\$ 9,933</u> |

Changes in endowment net assets for the year ended May 31, 2019 are as follows:

| | Purpose Restricted | Perpetual in Nature | Total |
|----------------------------------|-------------------------------|--------------------------------|-----------------|
| Beginning of year, June 1, 2018 | \$ | \$ 10,000 | \$ 10,000 |
| Interest and dividends | | 232 | 232 |
| Investment return, net | | (299) | (299) |
| End of Year, May 31, 2019 | <u>\$</u> | <u>\$ 9,933</u> | <u>\$ 9,933</u> |

As the value of the endowment funds decreased below Corpus during the year ended May 31, 2019, National Assistance League did not appropriate funds for expenditure.

Note 11—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. National Assistance League is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

National Assistance League
Notes to Financial Statements—Continued

Note 11—Recent Accounting Pronouncements—Continued

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. National Assistance League is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018. The guidance permits the use of either a retrospective or cumulative effect transition method. National Assistance League is evaluating whether this will have a material impact on its financial statements.

Note 12—Subsequent Events

Management has evaluated subsequent events through July 16, 2019, which is the date the financial statements were available to be issued, and it was concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.