

Audited Financial Statements



May 31, 2023

Quigley & Miron

**National Assistance League
Audited Financial Statements
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May 31, 2023**

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Independent Auditor's Report

Board of Directors
National Assistance League
Burbank, California

Opinion

We have audited the accompanying financial statements of National Assistance League (Organization), a nonprofit organization, which comprise the statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2023, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

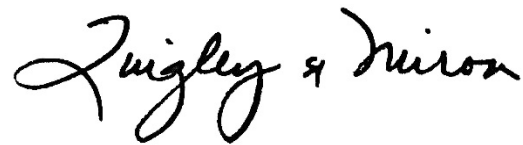
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Los Angeles, California
September 13, 2023

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

**National Assistance League
Statement of Financial Position
May 31, 2023**

Assets

Cash and cash equivalents	\$ 265,473
Accounts receivable	159,211
ERC grants receivable—Note 4	153,329
Prepaid expenses and other assets	2,985
Investments—Note 5	4,604,065
Property and equipment, net—Note 6	125,487
	<hr/>
Total Assets	\$ 5,310,550

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 76,535
Salaries and employee benefits payable	54,182
Deferred membership dues	349,155
	<hr/>
Total Liabilities	479,872

Net Assets

Without donor restrictions—Note 8	4,820,968
With donor restrictions—Note 9	9,710
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Total Net Assets	4,830,678

Total Liabilities and Net Assets	\$ 5,310,550
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See notes to the financial statements.

National Assistance League
Statement of Activities
Year Ended May 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support and Revenue			
Membership dues	\$ 787,058	\$	\$ 787,058
Registration fees	13,681		13,681
Grants and contributions	152,055		152,055
ERC grants – Note 4	153,329		153,329
Interest and dividends	190,076	388	190,464
Loss on disposal of property and equipment	(5,110)		(5,110)
Total Support and Revenue	1,291,089	388	1,291,477
Expenses			
Assistance League chapter services	477,045		477,045
Supporting services			
Management and general	408,895		408,895
Membership and fund development	228,664		228,664
Total Supporting Services	637,559		637,559
Total Expenses	1,114,604		1,114,604
Change in Net Assets from Operations	176,485	388	176,873
Nonoperating Activities			
Investment return, net – Note 5	(331,176)	(678)	(331,854)
Change in Nonoperating Activities	(331,176)	(678)	(331,854)
Change in Net Assets	(154,691)	(290)	(154,981)
Net Assets at Beginning of Year	4,975,659	10,000	4,985,659
Net Assets at End of Year	\$ 4,820,968	\$ 9,710	\$ 4,830,678

See notes to financial statements.

**National Assistance League
Statement of Functional Expenses
Year Ended May 31, 2023**

	<u>Supportive Services</u>				<u>Total</u>
	<u>Assistance League Chapter Services</u>	<u>Management and General</u>	<u>Membership and Fund Development</u>	<u>Total Supporting Services</u>	
Salaries, payroll taxes, and benefits	\$ 285,400	\$ 157,848	\$ 80,210	\$ 238,058	\$ 523,458
Professional services	30,698	126,572	105,986	232,558	263,256
Licenses, fees, and subscriptions	68,340	28,325	3,253	31,578	99,918
Occupancy	42,527	23,198	11,599	34,797	77,324
Outside services	1,085	27,833		27,833	28,918
Depreciation and amortization	23,963	2,920	1,460	4,380	28,343
Miscellaneous expenses	18,635	7,032	87	7,119	25,754
Advertising and promotion			19,612	19,612	19,612
Board meeting expenses		19,450		19,450	19,450
Insurance	3,629	6,684	990	7,674	11,303
Operating supplies	604	6,224	108	6,332	6,936
Bank and merchant fees	1,303	1,369	3,822	5,191	6,494
Printing and copier lease	861	1,029	206	1,235	2,096
Postage and freight		411	1,331	1,742	1,742
Total Expenses	\$ 477,045	\$ 408,895	\$ 228,664	\$ 637,559	\$ 1,114,604

See notes to financial statements.

**National Assistance League
Statement of Cash Flows
Year Ended May 31, 2023**

Cash Flows from Operating Activities

Change in net assets	\$ (154,981)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	28,343
Loss on disposal of property and equipment	5,110
Investment losses	284,887
Changes in operating assets and liabilities:	
Accounts receivable	6,619
ERC grants receivable	(153,329)
Prepaid expenses and other assets	14,544
Accounts payable and accrued liabilities	29,868
Salaries and employee benefits payable	10,247
Deferred membership dues	(48,417)
Net Cash Provided by Operating Activities	22,891

Cash Flows from Investing Activities

Purchases of property and equipment	(90,845)
Proceeds on sales/maturities of investments	401,434
Purchases of investments	(565,389)
Net Cash Used in Investing Activities	(254,800)

Cash Flows from Financing Activities

Principal payments on capital lease obligation	(4,750)
Net Cash Used in Financing Activities	(4,750)

Net Decrease in Cash and Cash Equivalents (236,659)

Cash and Cash Equivalents at Beginning of Year

502,132

Cash and Cash Equivalents at End of Year \$ 265,473

Supplemental Disclosures

Income taxes paid	\$
Interest paid	\$

National Assistance League
Notes to Financial Statements
May 31, 2023

Note 1—Organization

National Assistance League® (Organization), founded in 1935, is a California nonprofit corporation dedicated to a philosophy of training and empowering member volunteers to address unmet social needs in their communities. With 120 chapters in 26 states across the United States, the Organization supports its chapters to carry out their work of creating and maintaining programs targeted to meet the specific needs of the communities which they serve. Member volunteers have a voice in governing their chapters, thereby becoming valued voices in their local communities.

Over the years, the Organization has educated, trained, supported, and inspired thousands of volunteers to effectively lead their local chapters by providing administrative and operational guidance. The guidance includes resource documents available on the website; virtual chapter leadership training and learning opportunities; regional in-person networking conferences; and technology services and support. The following outlines the tools used by the Organization to support volunteerism in the Chapters:

Education and Training—The Organization provides Chapters with education and support virtually by utilizing the NonProfitReady.org platform and curated Learning Circles that provide discussion forums on relevant topics to Chapters. The sessions cover issues related to both the strategic, as well as day-to-day management of a chapter, and new trends in nonprofits. 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. During the 2022-2023 year, the Organization saw over 750 attendees at 14 virtual Learning Circle events who completed over 1,300 modules in the online portal.

Member Services—With the hiring of the Organization’s first ever Member Services Manager, the Organization continues to provide support, now managed in a professional capacity, for chapters by partnering with them to carry out the Organization’s shared mission. Chapter leaders are empowered to understand the basic requirements for managing a 501(c)(3), celebrated for their success in their communities, and kept up to date with the national organization’s current initiatives.

Member Services provides chapters with access to live professional and volunteer coaching support on a variety of topics designed to address specific Chapter management questions including, but not limited to:

- Board Development
- Membership
- Technology
- Strategic Planning
- Belonging and Inclusion
- E-commerce/Marketplace

During the 2022-2023 year, the Organization received and answered over 1,350 questions from 118 Chapters.

Technology Services and Support—The Organization offers technology services and support to 92 Chapters through their use of a “multi-site” website housed within the Organization’s website, www.AssistanceLeague.org. Additionally, participating Chapters may choose to utilize additional “plug-in” services – Event Manager, Volunteer Signups/Calendar, Volunteer Hours Tracking, and Donor Management – to assist with management of their Chapter activities. During the 2022-2023 year, the Organization responded to over 1,500 technology related help desk tickets and provided 6 weekly Virtual Help Desk opportunities (over 250 annually) to Chapters.

National Assistance League
Notes to Financial Statements—Continued

Note 1—Organization—Continued

The Organization also launched ShopAssistanceLeague.com, an online e-commerce platform, by which participating Chapters can sell items donated to their Chapter, under the Assistance League brand, to a national audience. To date, the website has had over 80,000 unique hits to the site and is beginning to generate sales and provide data for how the Organization can continue to build out the site, in addition to creating overall brand awareness for Assistance League

Marketing Services and Support—The Organization offers marketing services and support to Chapters by managing an Awards Program that affords Chapters the opportunity to recognize member/community volunteers and outside supporters. Additionally, the Organization continues to provide design support for Chapter logos. 2022-2023 saw the development of better integrated social media between the Organization and Chapters and the reimagination of Action Week into a marketing and fundraising campaign that will call the public to action and ask for their support. That campaign will launch in the next fiscal year.

The Organization has also been working diligently to finalize plans for additional marketing support for Chapters through a tiered service plan also to be deployed in the next fiscal year.

National Partnerships—The Organization offers Chapters Access to Nationally developed partnerships and resources to enhance the work they do in their communities, including:

- RightGift—Bulk purchasing, gift-in-kind/cash fundraising platform
- Sterling Volunteers—Background checks
- Modern HR—Human resources consulting/professional employment organization
- GrantStation—Research tool for grants
- Target, JCPenny, Famous Footwear—Gift card purchasing
- Hyatt Hotels—Member Discount Program
- Shop Redstar—Assistance League branded merchandise

Support and Revenue—The Organization’s support and revenue during the year ended May 31, 2023, is primarily derived from per-capita membership dues and investment return. Currently, most contributions are received from Assistance League members and local chapters donating to the Circle Fund. The Circle Fund supports programs provided at the national level for all members.

Looking ahead, the Organization will continue to evolve its operating and business models to fulfill its new mission statement crafted in November 2022—Assistance League engages and empowers volunteers to strengthen our communities. In relentless pursuit of its mission, the Organization will continue to shift the paradigm from that of “watch dog” to “service dog” and model a new approach and mindset that unifies the Organization and its 120 chapters on the issues we all have in common, while continuing to allow for flexibility to meet needs of individual chapters and communities.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes grants and contributions as revenue in the period received if a right of return and barrier does not exist. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

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 the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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 the Organization 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 the Organization 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 non-operating activities. Operating activities consist of membership services and conference activities, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate a return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization 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, the Organization 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 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, 2023. Generally, the Organization’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—The Organization 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. Interest and dividend income earned on investments is recognized when received and reported as interest and dividends under support and revenue in the statement of activities.

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

Website and software.....	3 to 5 years
Furniture and equipment.....	3 to 10 years
Leasehold improvements.....	5 years

The Organization follows the practice of capitalizing all expenditures for property in excess of \$1,000.

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Deferred Membership Dues—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. Membership dues not yet paid at May 31, 2023 are recorded as accounts receivable all due within one year.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

The Organization 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. Such cash balances are normally not in excess of FDIC insurance limits.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While the Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Organization's management has assessed the credit risk associated with its cash deposits and investments at May 31, 2023 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 11), the potential related impact cannot be reasonably estimated at this time.

Grants and contributions receivable are due from a variety of organizations and individuals well known to Organization, with favorable past payment histories. The Organization's management has assessed the credit risk associated with these grants and contributions receivable and has determined that a reserve against uncollectible amounts is not necessary.

Recently Adopted Accounting Principles

Gifts-in-Kind—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. Additional disclosures are required regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. The Organization has adopted ASU No. 2020-07 for the year ended May 31, 2023 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended May 31, 2023.

National Assistance League
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position and is applicable to 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. Since the Organization currently has no leases with terms exceeding one year, the Organization has adopted ASU 2016-02 on a prospective basis as of the year ended May 31, 2023, which had no impact on the financial statement presentation.

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.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. 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.

Donated Services—The Organization records the value of donated services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A significant portion of the Organization's program services, fundraising, and administrative functions are conducted by unpaid volunteers, whose services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards. During the year ended May 31, 2023, these volunteers donated approximately 8,381 hours with an estimated value of \$262,325. This value was computed using an estimated hourly rate of \$31.30, based upon the average hourly earnings of nonagricultural workers for the twelve-month periods ended May 31, 2023, respectively, as determined by the U.S. Department of Labor's Bureau of Labor Statistics, and includes 12% for estimated fringe benefits.

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. Salaries, payroll taxes, and benefits, professional services, occupancy, and depreciation are allocated on the basis of time studies. All other functional expenses are charged directly to programs or function benefitted.

Advertising Expense—Advertising and promotion costs are expensed as incurred and amounted to \$19,612 for the year ended May 31, 2023.

National Assistance League
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity

The Organization'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 the Organization's financial assets at May 31, 2023, to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$	265,473
Accounts receivable		159,211
ERC grants receivable		153,329
Investments		<u>2,884,355</u>
Current Availability of Financial Assets	\$	<u>3,462,368</u>

The Organization also has a \$1,710,000 board-designated reserve fund available for appropriation and a \$1,000,000 revolving line of credit, secured by investments, available to meet any unforeseen circumstances.

Note 4—ERC Grants

During the year ended May 31, 2023, the Organization was eligible and applied for employee retention credits (ERC) in the amount of \$153,329. This is included in ERC grants in the statement of activities and in ERC grants receivable in the statement of financial position. ERC grants receivable amounted to \$153,329 at May 31, 2023.

Note 5—Investments and Fair Value

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization 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 Organization 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.

The Organization 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 the Organization 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. The Organization had no investments classified at NAV as a practical expedient during the year ended May 31, 2023.

National Assistance League
Notes to Financial Statements—Continued

Note 5—Investments and Fair Value—Continued

Investments measured on a recurring basis at May 31, 2023 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity funds	\$ 2,154,676	\$ 2,154,676	\$	\$
Fixed income funds	1,985,815	1,985,815		
Real estate fund	277,204	277,204		
Commodities fund	186,370	186,370		
Totals	\$ 4,604,065	\$ 4,604,065	\$	\$

Investment activity for the year ended May 31, 2023, consists of the following:

Realized losses	\$ (22,357)
Unrealized losses	(262,530)
Investment management fees	(46,967)
	<u>Investment Return, Net</u>
	(331,854)
Interest and dividends	190,464
	<u>Total Investment Return</u>
	<u>\$ (141,390)</u>

Note 6—Property and Equipment, Net

Net property and equipment at May 31, 2023, consists of the following:

Furniture, fixtures, and equipment	\$ 32,280
Software fees	134,500
	<u>Gross</u>
	166,780
Less accumulated depreciation and amortization	(41,293)
	<u>Property and Equipment, Net</u>
	<u>\$ 125,487</u>

Total depreciation and amortization expense recorded for the year ended May 31, 2023 was \$28,343.

During the year ended May 31, 2022, the Organization signed a two-year software licensing agreement with a two-year extension option. While the agreement is cancelable by either party without cause with three months' notice, the Organization anticipates a four-year term. As such, the Organization amortized the software fees of \$134,500 over four years. Current amortization for the year ended May 31, 2023 was \$18,609.

During the year ended May 31, 2023, the Organization disposed of property and equipment no longer in use totaling \$254,305, which resulted in a loss on disposal in the amount of \$5,110.

National Assistance League
Notes to Financial Statements—Continued

Note 7—Leases

Subsequent to year-end, the Organization entered into an operating lease for office space expiring in May 2028. Future minimum lease payments under this lease are as follows:

<u>Year Ending May 31,</u>	
2024	\$ 40,535
2025	44,220
2026	44,220
2027	44,220
Thereafter	47,905
Total	<u>\$ 221,100</u>

Note 8—Net Assets without Donor Restrictions

Net assets without donor restrictions at May 31, 2023, consist of the following:

Undesignated	\$ 3,110,968
Board-designated	
Designated for future operating reserves	1,560,000
Designated for future capital needs	150,000
Total Board-Designated	<u>1,710,000</u>
Total Net Assets without Donor Restrictions	<u>\$ 4,820,968</u>

Note 9—Net Assets with Donor Restrictions

Net assets with donor restrictions at May 31, 2023, consist of the following:

Held in perpetuity:	
Endowment	\$ 10,000
Underwater endowment	(290)
Total Net Assets with Donor Restrictions	<u>\$ 9,710</u>

Note 10—Endowment Fund

The Organization's endowment consists of \$10,000 established to support the Executive Director's travel. The endowment comprises donor-restricted endowment funds only and, as of May 31, 2023, there were no funds designated by the Board to function as endowments. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California 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. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. The Board is aware of its temporary deficit in its endowment net assets, and is actively taking steps to rectify this situation.

National Assistance League
Notes to Financial Statements—Continued

Note 10—Endowment Fund—Continued

The Organization classifies the following as net assets with donor restrictions that are perpetual in nature:

- (a) The original value of gifts donated to the permanent endowment,
- (b) The original value of subsequent gifts to the permanent endowment, and
- (c) The 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 donor-restricted endowment funds that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are purpose-restricted, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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

Return Objectives and Risk Parameters—It is the purpose of the Organization's endowment fund to secure the future of the Organization and to support its programs and operations as designated by the Board.

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. This objective should be achieved over rolling three-, five-, and ten-year periods on a total return basis. An additional objective is to provide a relatively predictable, stable, and (in real terms) constant stream of current income for the Organization's annual operating needs.

Strategies Employed for Achieving Objectives—The Organization 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.

The Organization has determined that marketable debt and equity securities traded in the United States are appropriate investments consistent with its return objectives and risk parameters. Cash invested in money market accounts is also an acceptable investment within these guidelines. The investment portfolio is to be sufficiently-balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy—The Organization 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 5% of the average market value of the portfolios as of the preceding 20 calendar quarters, subject to the requirement that the portfolios increase by an inflation factor annually.

National Assistance League
Notes to Financial Statements—Continued

Note 10—Endowment Fund—Continued

Changes in endowment net assets for the year ended May 31, 2023 are as follows:

	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at May 31, 2022	\$	\$ 10,000	\$ 10,000
Interest and dividends	388		388
Investment return, net	(678)		(678)
Total Investment Return on Endowment Funds	<u>(290)</u>		<u>(290)</u>
Endowment Net Assets (Deficit) at May 31, 2023	<u>\$ (290)</u>	<u>\$ 10,000</u>	<u>\$ 9,710</u>

Note 11—Risks and Uncertainties

In March 2023, the shutdown of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 2, at times, the Organization maintains investment balances in excess of federally insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

Note 12—Subsequent Events

Subsequent to year-end, the Organization renewed its revolving line of credit through May 28, 2024.

Management evaluated all activities of National Assistance League through September 13, 2023, which is the date the financial statements were available to be issued, and concluded that other than the renewal of the revolving line of credit and the lease agreement described in Note 7, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.