



Financial Statements
May 31, 2010 and 2009

**Assistance League® of
Phoenix Arizona**

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Assistance League® of Phoenix Arizona
Phoenix, Arizona

We have audited the accompanying statements of financial position of Assistance League® of Phoenix Arizona as of May 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Assistance League® of Phoenix Arizona as of May 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Phoenix, Arizona
August 23, 2010

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|-----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,049,830 | \$ 1,313,709 |
| Investments | 83,898 | - |
| Promises to give receivable | 2,929 | 31,520 |
| Other receivables | - | 1,599 |
| Prepaid expenses | 7,885 | 8,060 |
| Advance deposits | 490 | 490 |
| Inventory | 281,238 | 293,101 |
| Property and equipment, net | <u>1,687,219</u> | <u>1,714,767</u> |
| TOTAL ASSETS | <u>\$ 3,113,489</u> | <u>\$ 3,363,246</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 13,104 | \$ 12,740 |
| Deferred revenue | 14,495 | 8,325 |
| Accrued use tax liability | <u>706</u> | <u>19,837</u> |
| TOTAL LIABILITIES | 28,305 | 40,902 |
| NET ASSETS | | |
| Unrestricted | 2,989,107 | 3,209,135 |
| Temporarily restricted | <u>96,077</u> | <u>113,209</u> |
| TOTAL NET ASSETS | <u>3,085,184</u> | <u>3,322,344</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,113,489</u> | <u>\$ 3,363,246</u> |

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
STATEMENTS OF ACTIVITIES
YEARS ENDED MAY 31, 2010 AND 2009

| | 2010 | | |
|---------------------------------------------------------------|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Fundraising | | | |
| Thrift Shop Revenue | | | |
| Contributions of merchandise | \$ 224,709 | \$ - | \$ 224,709 |
| Sales of donated merchandise | 222,667 | - | 222,667 |
| Less: Value of merchandise sold | (222,667) | - | (222,667) |
| Net sales revenue from Thrift Shop | 224,709 | - | 224,709 |
| Less: cost of sales | (112,612) | - | (112,612) |
| Net revenue from Thrift Shop | 112,097 | - | 112,097 |
| Special event revenue | 123,102 | - | 123,102 |
| Less: Direct costs to attendees | (29,247) | - | (29,247) |
| Net revenue from special events | 93,855 | - | 93,855 |
| Other special fundraising | 2,508 | - | 2,508 |
| Contributions | 46,839 | - | 46,839 |
| Grants | 55,290 | - | 55,290 |
| Investment income | 3,716 | 567 | 4,283 |
| Membership | 13,327 | - | 13,327 |
| Memorials | 305 | - | 305 |
| Reclassifications of net assets released from restrictions | 17,699 | (17,699) | - |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 345,636 | (17,132) | 328,504 |
| EXPENSES | | | |
| Program expenses | | | |
| Operation School Bell@ | 334,582 | - | 334,582 |
| Hugs | 26,412 | - | 26,412 |
| Learn | 59,973 | - | 59,973 |
| Scholarships | 77,842 | - | 77,842 |
| Wee help | 17,307 | - | 17,307 |
| Total program expenses | 516,116 | - | 516,116 |
| Supporting expenses | | | |
| Fundraising expenses | | | |
| Special event | 16,944 | - | 16,944 |
| Other | 1,093 | - | 1,093 |
| Membership development | 11,160 | - | 11,160 |
| Management and general | 20,351 | - | 20,351 |
| Total supporting expenses | 49,548 | - | 49,548 |
| TOTAL EXPENSES | 565,664 | - | 565,664 |
| CHANGE IN NET ASSETS | (220,028) | (17,132) | (237,160) |
| NET ASSETS, BEGINNING OF YEAR | 3,209,135 | 113,209 | 3,322,344 |
| NET ASSETS, END OF YEAR | \$ 2,989,107 | \$ 96,077 | \$ 3,085,184 |

See Notes to Financial Statements

| 2009 | | |
|---------------------|---------------------------|---------------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 202,506 | \$ - | \$ 202,506 |
| 198,636 | - | 198,636 |
| (198,636) | - | (198,636) |
| <u>202,506</u> | <u>-</u> | <u>202,506</u> |
| (92,315) | - | (92,315) |
| <u>110,191</u> | <u>-</u> | <u>110,191</u> |
| 162,020 | - | 162,020 |
| (40,492) | - | (40,492) |
| <u>121,528</u> | <u>-</u> | <u>121,528</u> |
| 220 | - | 220 |
| 41,913 | - | 41,913 |
| 150,790 | - | 150,790 |
| 28,394 | 2,576 | 30,970 |
| 20,816 | - | 20,816 |
| 5,225 | - | 5,225 |
| <u>23,240</u> | <u>(23,240)</u> | <u>-</u> |
| <u>502,317</u> | <u>(20,664)</u> | <u>481,653</u> |
| 326,869 | - | 326,869 |
| 44,697 | - | 44,697 |
| 58,287 | - | 58,287 |
| 77,176 | - | 77,176 |
| 15,127 | - | 15,127 |
| <u>522,156</u> | <u>-</u> | <u>522,156</u> |
| 19,884 | - | 19,884 |
| - | - | - |
| 19,865 | - | 19,865 |
| 15,439 | - | 15,439 |
| <u>55,188</u> | <u>-</u> | <u>55,188</u> |
| <u>577,344</u> | <u>-</u> | <u>577,344</u> |
| (75,027) | (20,664) | (95,691) |
| <u>3,284,162</u> | <u>133,873</u> | <u>3,418,035</u> |
| <u>\$ 3,209,135</u> | <u>\$ 113,209</u> | <u>\$ 3,322,344</u> |

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MAY 31, 2010 AND 2009

| | 2010 | | | | | | | | | | | | | |
|-----------------------------------------------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|---------------------|-----------------|-------------------|----------------|------------------|------------------------|---------------------|-------------------|
| | Program Services | | | | | | Supporting Services | | | | | | | |
| | Operation | | | | | Total | Fundraising | | | Membership | | | Total | Total |
| | School | HUGS | Learn | Scholarships | Wee Help | Program Services | Special Event | Other | Total Fundraising | Thrift Shop | Develop-ment | Management and General | Supporting Services | |
| Direct costs | \$ 246,528 | \$ 20,371 | \$ 53,178 | \$ 68,900 | \$ 14,494 | \$ 403,471 | \$ 40,194 | \$ 939 | \$ 41,133 | \$ 3,876 | \$ - | \$ - | \$ 45,009 | \$ 448,480 |
| Bank charges | - | - | - | - | - | - | 2,028 | 154 | 2,182 | 981 | - | 814 | 3,977 | 3,977 |
| Dues and subscriptions | 4 | 1 | 1 | 1 | 1 | 8 | - | - | - | - | 2 | 2 | 2 | 10 |
| Computer expense | 1,824 | 150 | 388 | 508 | 120 | 2,990 | 239 | - | 239 | 239 | - | 519 | 997 | 3,987 |
| Copier expense | 1,495 | 122 | 318 | 417 | 98 | 2,450 | 196 | - | 196 | 196 | - | 426 | 818 | 3,268 |
| National Conference | 2,524 | 208 | 537 | 703 | 166 | 4,138 | 333 | - | 333 | 333 | - | 712 | 1,378 | 5,516 |
| Education | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Facilities expense | 28,541 | 1,771 | 312 | 433 | 607 | 31,664 | 121 | - | 121 | 47,806 | - | 4,437 | 52,364 | 84,028 |
| Investment Advisor fees | - | - | - | - | - | - | - | - | - | - | - | 98 | 98 | 98 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - | - | 789 | 789 | 789 |
| Newsletters | 1,254 | 103 | 267 | 350 | 82 | 2,056 | 165 | - | 165 | 165 | - | 356 | 686 | 2,742 |
| Office Expense | 1,583 | 130 | 337 | 441 | 104 | 2,595 | 207 | - | 207 | 208 | - | 450 | 865 | 3,460 |
| Professional services | 15,741 | 1,290 | 3,355 | 4,387 | 1,032 | 25,805 | 2,064 | - | 2,064 | 2,064 | - | 4,473 | 8,601 | 34,406 |
| Public relations | 3,559 | 292 | 758 | 992 | 233 | 5,834 | 467 | - | 467 | 467 | - | 1,011 | 1,945 | 7,779 |
| Resource development | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Roster | 879 | 72 | 187 | 245 | 58 | 1,441 | 115 | - | 115 | 115 | - | 250 | 480 | 1,921 |
| Salaries & benefits | - | - | - | - | - | - | - | - | - | 30,669 | - | - | 30,669 | 30,669 |
| Truck expense | - | - | - | - | - | - | - | - | - | 920 | - | - | 920 | 920 |
| National dues | - | - | - | - | - | - | - | - | - | - | 7,630 | - | 7,630 | 7,630 |
| Room rental expense | - | - | - | - | - | - | - | - | - | - | - | 1,140 | 1,140 | 1,140 |
| Members' expense | - | - | - | - | - | - | - | - | - | - | 3,530 | - | 3,530 | 3,530 |
| Orientation | - | - | - | - | - | - | - | - | - | - | - | 109 | 109 | 109 |
| Subtotal | 303,932 | 24,510 | 59,638 | 77,377 | 16,995 | 482,452 | 46,129 | 1,093 | 47,222 | 88,039 | 11,160 | 15,586 | 162,007 | 644,459 |
| Depreciation | 30,650 | 1,902 | 335 | 465 | 312 | 33,664 | 62 | - | 62 | 24,573 | - | 4,765 | 29,400 | 63,064 |
| TOTAL EXPENSES | 334,582 | 26,412 | 59,973 | 77,842 | 17,307 | 516,116 | 46,191 | 1,093 | 47,284 | 112,612 | 11,160 | 20,351 | 191,407 | 707,523 |
| Less: Expenses included with revenues on statement of activities | - | - | - | - | - | - | (29,247) | - | (29,247) | (112,612) | - | - | (141,859) | (141,859) |
| Total expenses included in expense section on statement of activities | <u>\$ 334,582</u> | <u>\$ 26,412</u> | <u>\$ 59,973</u> | <u>\$ 77,842</u> | <u>\$ 17,307</u> | <u>\$ 516,116</u> | <u>\$ 16,944</u> | <u>\$ 1,093</u> | <u>\$ 18,037</u> | <u>\$ -</u> | <u>\$ 11,160</u> | <u>\$ 20,351</u> | <u>\$ 49,548</u> | <u>\$ 565,664</u> |

(continued on next page)

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED MAY 31, 2010 AND 2009

| | 2009 | | | | | | | | | | | | | |
|-----------------------------------------------------------------------|------------------------|---------------|---------------|---------------|---------------|------------------------|---------------|----------|-------------------|---------------|------------------------|------------------------|---------------------------|----------------|
| | Program Services | | | | | Supporting Services | | | | | | | | |
| | Operation School Bell@ | HUGS | Learn | Scholarships | Wee Help | Total Program Services | Fundraising | | | Thrift Shop | Membership Development | Management and General | Total Supporting Services | Total Expenses |
| | | | | | | | Special Event | Other | Total Fundraising | | | | | |
| Direct costs | \$ 238,688 | \$ 38,855 | \$ 48,718 | \$ 68,136 | \$ 13,454 | \$ 407,851 | \$ 56,994 | \$ - | \$ 56,994 | \$ 11,581 | \$ - | \$ 268 | \$ 68,843 | \$ 476,694 |
| Bank charges | - | - | - | - | - | - | - | - | - | 175 | - | - | 175 | 175 |
| Dues and subscriptions | 5 | - | 1 | 2 | - | 8 | - | - | - | 1 | 1 | - | 2 | 10 |
| Computer expense | 1,874 | 118 | 237 | 567 | 69 | 2,865 | 229 | - | 229 | 229 | 229 | 268 | 955 | 3,820 |
| Copier expense | 1,542 | 97 | 195 | 466 | 57 | 2,357 | 189 | - | 189 | 189 | 189 | 219 | 786 | 3,143 |
| National Conference | 2,322 | 147 | 294 | 703 | 85 | 3,551 | 284 | - | 284 | 284 | 284 | 331 | 1,183 | 4,734 |
| Education | 106 | 7 | 14 | 32 | 4 | 163 | 13 | - | 13 | 13 | 13 | 15 | 54 | 217 |
| Facilities expense | 32,859 | 2,222 | 3,310 | 543 | 699 | 39,633 | 140 | - | 140 | 55,110 | - | 5,561 | 60,811 | 100,444 |
| Investment Advisor fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 20 | 1 | 3 | 6 | 2 | 32 | 2 | - | 2 | 3 | 1 | 4 | 10 | 42 |
| Newsletters | 1,503 | 95 | 190 | 455 | 55 | 2,298 | 184 | - | 184 | 184 | 184 | 215 | 767 | 3,065 |
| Office Expense | 2,610 | 163 | 330 | 790 | 96 | 3,989 | 319 | - | 319 | 319 | 319 | 373 | 1,330 | 5,319 |
| Professional services | 9,843 | 622 | 1,246 | 2,978 | 361 | 15,050 | 1,204 | - | 1,204 | 1,204 | 1,204 | 1,405 | 5,017 | 20,067 |
| Public relations | 5,024 | 318 | 636 | 1,520 | 184 | 7,682 | 615 | - | 615 | 614 | 615 | 716 | 2,560 | 10,242 |
| Resource development | 267 | 17 | 34 | 80 | 10 | 408 | 33 | - | 33 | 32 | 33 | 38 | 136 | 544 |
| Roster | 1,392 | 88 | 176 | 422 | 51 | 2,129 | 170 | - | 170 | 171 | 170 | 199 | 710 | 2,839 |
| Salaries & benefits | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Truck expense | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| National dues | - | - | - | - | - | - | - | - | - | - | 7,997 | - | 7,997 | 7,997 |
| Room rental expense | - | - | - | - | - | - | - | - | - | - | - | 950 | 950 | 950 |
| Members' expense | - | - | - | - | - | - | - | - | - | - | 8,316 | - | 8,316 | 8,316 |
| Orientation | - | - | - | - | - | - | - | - | - | - | 310 | - | 310 | 310 |
| Subtotal | 298,055 | 42,750 | 55,384 | 76,700 | 15,127 | 488,016 | 60,376 | - | 60,376 | 70,109 | 19,865 | 10,562 | 160,912 | 648,928 |
| Depreciation | 28,814 | 1,947 | 2,903 | 476 | - | 34,140 | - | - | - | 22,206 | - | 4,877 | 27,083 | 61,223 |
| TOTAL EXPENSES | 326,869 | 44,697 | 58,287 | 77,176 | 15,127 | 522,156 | 60,376 | - | 60,376 | 92,315 | 19,865 | 15,439 | 187,995 | 710,151 |
| Less: Expenses included with revenues on statement of activities | - | - | - | - | - | - | (40,492) | - | (40,492) | (92,315) | - | - | (132,807) | (132,807) |
| Total expenses included in expense section on statement of activities | \$ 326,869 | \$ 44,697 | \$ 58,287 | \$ 77,176 | \$ 15,127 | \$ 522,156 | \$ 19,884 | \$ - | \$ 19,884 | \$ - | \$ 19,865 | \$ 15,439 | \$ 55,188 | \$ 577,344 |

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|----------------------------------------------------------------------------------------|----------------------------|----------------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (237,160) | \$ (95,691) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation and amortization | 63,064 | 61,223 |
| Unrealized loss on investments | 3,307 | - |
| In-kind donation of equipment | (6,200) | - |
| Changes in assets and liabilities | | |
| Receivables | 30,190 | (5,574) |
| Prepaid expenses and deposits | 175 | 3,175 |
| Inventory | 11,863 | (63,278) |
| Accounts payable and accrued expenses | 364 | (1,284) |
| Deferred revenue | 6,170 | (8,430) |
| Accrued tax liability | (19,131) | (28,163) |
| Net cash used in operating activities | <u>(147,358)</u> | <u>(138,022)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (87,205) | - |
| Purchase of equipment | (29,316) | (5,164) |
| Net cash used in investing activities | <u>(116,521)</u> | <u>(5,164)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (263,879) | (143,186) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,313,709</u> | <u>1,456,895</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,049,830</u> | <u>\$ 1,313,709</u> |

ASSISTANCE LEAGUE® OF PHOENIX ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010 AND 2009

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Assistance League® of Phoenix Arizona (the Chapter) is an Arizona nonprofit corporation formed in March, 1961. The Chapter is a chartered chapter of National Assistance League®. The Chapter is an all-volunteer organization whose mission is to improve lives through philanthropic programs that fulfill basic needs, foster self-esteem and enhance quality of life. The Chapter's support and revenue come primarily from contributions and other fundraising efforts including special events and operation of a thrift shop.

The Chapter provides the following programs:

- OPERATION SCHOOL BELL® – fosters self-esteem and self-confidence in children resulting in a more successful educational experience. This program provides basic clothing needs for children by outfitting them with a complete school wardrobe. For many children these are the first new school clothes they have ever worn.
- HUGS – works with local hospitals, Phoenix Police and Fire departments and other agencies to put smiles on the faces of traumatized children when they are comforted by an ALP Teddy Bear stitched with love from our members.
- LEARN – promotes student and family literacy by augmenting the educational resources of Title I elementary schools. Thousands of books and dictionaries reach the hands of children through these gifts. For some this is the first book they have owned.
- SCHOLARSHIPS – provides financial assistance to qualifying junior and senior students enrolled at an accredited four-year Arizona college or university, offering opportunities that impact lives.
- WEE HELP – distributes layette gift bags for infants of new parents in need with the basics for their baby, including blankets, clothing and other essential supplies.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Chapter and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed, are reported as reclassification between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

Concentrations of Credit Risk

Financial instruments that potentially expose the Chapter to concentrations of credit and market risk consist primarily of cash and cash equivalents. The Chapter maintains cash balances at financial institutions located in the metropolitan Phoenix, Arizona area. In fiscal 2009, the Chapter maintained a significant amount of its funds in a CDARS program through a local bank. Under this program, the funds were invested in CDs in various banks throughout the United States in a manner in which all funds were insured by the Federal Deposit Insurance Corporation (FDIC). The Chapter's balances are insured by either the Federal Deposit Insurance Corporation (FDIC), the Securities Investors Protection Corporation (SIPC), or private insurance provided by the financial institution.

Cash and Cash Equivalents

Cash includes cash held in checking, savings and money market accounts at May 31, 2010 and 2009, as well as certificates of deposit (CD) at May 31, 2009. The CDs, totaling \$1,121,239 at May 31, 2009, bore interest ranging from 1.49% to 2.25%. For purposes of the statement of cash flows, the Chapter considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash includes amounts which are subject to donor imposed restrictions. There were no other restrictions on cash at May 31, 2010 or 2009. There is no external requirement that the Chapter maintains separate bank accounts and therefore all Chapter funds may be co-mingled.

Investments

Investments in marketable securities with readily determined fair values are presented in the financial statements at fair value. Income from investments consists of interest and dividends. Gains on investments include both realized and unrealized gains and losses in investments.

Promises to Give Receivable

Unconditional promises to give are recorded in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year. All promises to give were expected to be collected in one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory

The Chapter maintains an inventory of new clothing and shoes for use in its Operation School Bell program, dictionaries for use in its Learn program, teddy bears for use in its Hugs program, and layettes for infant's use in its Wee Help program. All of these inventories are stated at the lower of cost or market determined by the first-in, first-out method. The Chapter also maintains an inventory of used clothing and household items, donated by chapter members and others for resale by a thrift shop operated by the Chapter which is stated at its estimated fair value.

Property and Equipment

Property and equipment are stated at cost, or if donated, at the fair market value at the date of the gift, and net of accumulated depreciation. The Chapter's policy is to capitalize non-liquid assets with a useful life of more than one year. The Chapter depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method, which are ten to 40 years for buildings and improvements, five to ten years for furniture and equipment. There are no restrictions on how these non-liquid assets can be used by the Chapter.

Maintenance and repairs are charged to expense and renovations and improvements are capitalized. When depreciable property is retired or disposed of, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in the changes in net assets.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Deferred Revenue

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

Donated Materials and Services

Significant materials and services are donated to the Chapter by various individuals, corporations, and other organizations. Donated materials of \$222,667 and \$198,636 during the years ended May 31, 2010 and 2009, respectively, are reflected in the accompanying financial statements at their fair values at the date of the donation. These materials consisted primarily of used clothing and household items donated by chapter members and others for resale by the thrift shop operated by the Chapter.

In addition, a significant portion of the Chapter's functions and programs are conducted by unpaid volunteers. The value for this contributed time is not reflected in the accompanying financial statements since the services do not require special skills. During the year ended May 31, 2010, these volunteers donated approximately 24,575 hours with an estimated value of \$517,550. This value was computed using an estimated hourly rate of \$21.06, based upon the average hourly earnings of nonagricultural workers for the time period of \$18.81, as determined by the U.S. Department of Labor's Bureau for Labor Statistics, plus 12% for estimated fringe benefits.

Income Tax Status

The Chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code under an exemption granted September 17, 1964. Accordingly, the Chapter 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). The Chapter is also exempt from state income taxes by the Arizona Department of Revenue under an exemption granted May 22, 1975.

The Chapter has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), on June 1, 2009. The implementation of this standard had no impact on the combined financial statements. As of both the date of adoption, and as of May 31, 2010, the unrecognized tax benefit accrual was zero.

The Chapter will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Chapter is no longer subject to Federal tax examinations by tax authorities for years before 2006 and state examinations for years before 2005.

Functional Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Fair Value Measurements

The Chapter has determined the fair value of certain assets, which is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy, which prioritizes the valuation inputs into three broad levels, is more fully discussed in Note 10.

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain lines in the Statements of Activities have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassification does not impact net assets or change in net assets in the prior year.

Subsequent Events

The Chapter has evaluated subsequent events through August 23, 2010, the date which the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at May 31:

| | <u>2010</u> | <u>2009</u> |
|----------------------------------------------------------------------|---------------------|---------------------|
| Cash on hand | \$ 300 | \$ 200 |
| Checking accounts: | | |
| Chase Bank | <u>100,114</u> | <u>52,106</u> |
| Savings accounts: | | |
| Chase Bank | 57,252 | 50,034 |
| Camelback Community Bank | <u>-</u> | <u>90,130</u> |
| Total cash in savings | <u>57,252</u> | <u>140,164</u> |
| Money Market account with ArMA Financial Services, Inc. | <u>892,164</u> | <u>-</u> |
| Certificates of deposit in Camelback Community Bank's CDARS Program: | | |
| MB Financial Bank | - | 244,837 |
| First Community Bank | - | 244,837 |
| Harris Bank N.A. | - | 244,837 |
| United Bank | - | 139,122 |
| Sovereign Bank | - | 200,090 |
| BB&T | <u>-</u> | <u>47,516</u> |
| Total cash in CDARS Program | <u>-</u> | <u>1,121,239</u> |
| Total cash and cash equivalents | <u>\$ 1,049,830</u> | <u>\$ 1,313,709</u> |

NOTE 3 - INVESTMENTS

Investments consisted of the following at May 31, 2010:

| | <u>Market Value</u> |
|--------------|---------------------|
| Mutual Funds | <u>\$ 83,898</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVENTORY

Inventory consisted of the following at May 31:

| | <u>2010</u> | <u>2009</u> |
|----------------------------------------------------------------------|-------------------|-------------------|
| New clothing and shoes for use in the Operation School Bell® program | \$ 201,842 | \$ 217,372 |
| Stuffed bears for use in the HUGS program | 2,600 | 1,109 |
| Infant care items for use in the Wee Help program | 1,885 | 1,915 |
| Dictionaries for use in the Learn program | 6,686 | 6,725 |
| Used clothing and household items held for sale at the Thrift Shop | <u>68,225</u> | <u>65,980</u> |
| | <u>\$ 281,238</u> | <u>\$ 293,101</u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are summarized below:

| | <u>2010</u> | <u>2009</u> |
|------------------------------------------------|---------------------|---------------------|
| Land - 7044 Building | \$ 391,258 | \$ 391,258 |
| Land - Philanthropic Center | 175,000 | 175,000 |
| Land improvements - 7044 Building | 32,363 | 24,456 |
| Improvements - 7044 Building | 83,754 | 83,754 |
| Building - 7044 Building | 474,208 | 474,208 |
| Building - Philanthropic Center | 298,392 | 298,392 |
| Improvements - Philanthropic Center | 719,023 | 714,841 |
| Furniture and Equipment - 7044 Building | 78,152 | 59,694 |
| Furniture and Equipment - Philanthropic Center | <u>91,507</u> | <u>86,538</u> |
| | <u>2,343,657</u> | <u>2,308,141</u> |
| Less accumulated depreciation | <u>(656,438)</u> | <u>(593,374)</u> |
| | <u>\$ 1,687,219</u> | <u>\$ 1,714,767</u> |

NOTE 6 - LEASE COMMITMENTS

In May 2007, the Chapter entered into a lease for a copier under a noncancelable operating lease, which expired in May 2010. At the conclusion of the lease, the Chapter had the option to purchase the copier at fair market value. The total charged to equipment rent for this operating lease for the years ended May 31, 2010 and 2009 was \$3,267 and \$3,143, respectively. The Chapter was responsible for all taxes and insurance on this equipment. General maintenance of this equipment was provided by the lessor. A new lease for a copier was entered into in July 2010. The lease expires in September 2013, at which time the Chapter will have the option of purchasing the copier at fair market value. The Chapter is responsible for all taxes and insurance on this equipment, and general maintenance of this equipment is provided by the lessor. The future minimum lease payments on the new lease are as follows:

NOTES TO FINANCIAL STATEMENTS

Years Ending May 31,

| | |
|------|-----------------|
| 2011 | \$ 2,668 |
| 2012 | 2,910 |
| 2013 | 2,910 |
| 2014 | 970 |
| | <u>9,458</u> |
| | <u>\$ 9,458</u> |

NOTE 7 - NET ASSETS

Net assets were designated by the Chapter as follows at May 31:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|---------------------|---------------------|
| Unrestricted net assets: | | |
| Designated for future operating needs | \$ 573,000 | \$ 550,000 |
| Undesignated | 2,416,107 | 2,659,135 |
| | <u>\$ 2,989,107</u> | <u>\$ 3,209,135</u> |

Net assets were restricted by donors as follows at May 31:

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|-------------|-------------|
| Temporarily restricted net assets: | | |
| Facilities renovation-Porter funds | \$ 96,077 | \$ 113,209 |

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows during fiscal year ended May 31:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------------------|-------------|-------------|
| Expenses incurred for purpose specified by donors | \$ (17,132) | \$ (23,240) |

NOTE 8 - RELATED PARTY TRANSACTIONS

National Franchise Fee

The Chapter pays dues to National Assistance League® based on the number of members the Chapter has. For the years ended May 31, 2010 and 2009, the total paid was \$7,630 and \$7,997, respectively.

National Conference

The Chapter pays National Assistance League® for the Chapter's members to attend the national conference. The Chapter pays all of the registration for three delegates and a portion of the registration for each member that attends the conference. For the years ended May 31, 2010 and 2009, the total paid was \$5,516 and \$7,544 and members' reimbursements totaled \$3,026 and \$2,810, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - SPECIAL EVENT

The Chapter has a major fundraising event to help fund current operations. The revenue and related expenses from this event for the years ended May 31, 2010 and 2009 are as follows:

| <u>Event</u> | <u>Revenue</u> | <u>Cost of Direct Benefits to Attendees</u> | <u>Other Event Costs</u> | <u>Net Revenues</u> |
|-----------------------|-------------------|-----------------------------------------------------|------------------------------|-------------------------|
| 2010: | | | | |
| Celebration of Caring | <u>\$ 123,102</u> | <u>\$ 29,247</u> | <u>\$ 16,944</u> | <u>\$ 76,911</u> |
| 2009: | | | | |
| Celebration of Caring | <u>\$ 162,020</u> | <u>\$ 40,492</u> | <u>\$ 16,502</u> | <u>\$ 105,026</u> |

NOTE 10 - FAIR VALUE OF ASSETS

Assets measured at fair value on a recurring basis at May 31, 2010 and 2009, respectively, are as follows:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|------------------|------------------|
| Promises to give receivable | \$ 2,929 | \$ 31,520 |
| Investments | <u>83,898</u> | <u>-</u> |
| | <u>\$ 86,827</u> | <u>\$ 31,520</u> |

The related fair values of these assets are determined as follows:

| | <u>Quoted Prices in Active Markets (Level 1)</u> | <u>Other Observable Inputs (Level 2)</u> | <u>Unobservable Inputs (Level 3)</u> | <u>Total</u> |
|-----------------------------|----------------------------------------------------------|------------------------------------------------------|----------------------------------------------|------------------|
| May 31, 2010 | | | | |
| Promises to give receivable | \$ - | \$ - | \$ 2,929 | \$ 2,929 |
| Investments | <u>83,898</u> | <u>-</u> | <u>-</u> | <u>83,898</u> |
| | <u>\$ 83,898</u> | <u>\$ -</u> | <u>\$ 2,929</u> | <u>\$ 86,827</u> |
| May 31, 2009 | | | | |
| Promises to give receivable | \$ - | \$ - | \$ 31,520 | \$ 31,520 |
| Investments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,520</u> | <u>\$ 31,520</u> |

NOTES TO FINANCIAL STATEMENTS

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Promises to give are recorded at net realizable value if they are expected to be collected within one year and at the discounted future cash flows if they are expected to be collected in more than one year. All promises to give were expected to be collected within one year.

Investments in mutual funds are valued at the publicly quoted market price.

Following is a reconciliation of activity for 2010 for assets measured at fair value based on significant unobservable (non-market) information.

| | Promises to Give |
|----------------------------|-----------------------------|
| Balance, beginning of year | \$ 31,520 |
| Payments received | (30,260) |
| Grants awarded | 1,669 |
| | <hr/> |
| Balance, end of year | \$ 2,929 |
| | <hr/> <hr/> |

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