



Financial Statements  
May 31, 2013 and 2012

Assistance League ® of  
Phoenix

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Assistance League ® of Phoenix, which comprise the balance sheets as of May 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assistance League ® of Phoenix as of May 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona  
December 23, 2013

[www.eidebailly.com](http://www.eidebailly.com)

Assistance League ® of Phoenix Arizona  
 Statements of Financial Position  
 May 31, 2013 and 2012

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 728,044	\$ 835,807
Investments	731,343	455,352
Promises to give receivable	82,482	135,380
Prepaid expenses	6,370	6,953
Advance deposits	65,490	2,851
Inventory	261,664	240,546
Property and equipment, net	1,572,675	1,615,080
Total assets	\$ 3,448,068	\$ 3,291,969
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,863	\$ 8,701
Deferred revenue	17,051	11,440
Accrued use tax liability	-	90
Total liabilities	24,914	20,231
<b>Net Assets</b>		
Unrestricted	3,121,009	3,005,644
Temporarily restricted	302,145	266,094
Total net assets	3,423,154	3,271,738
Total liabilities and net assets	\$ 3,448,068	\$ 3,291,969

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Fundraising			
Thrift Shop Revenue			
Contributions of merchandise	\$ 260,650	\$ -	\$ 260,650
Sales of donated merchandise	248,330	-	248,330
Less: Value of merchandise sold	(248,330)	-	(248,330)
Net sales revenue from Thrift Shop	260,650	-	260,650
Less: thrift shop expenses	(124,017)	-	(124,017)
Net revenue from Thrift Shop	136,633	-	136,633
Special event revenue	144,022	-	144,022
Less: Costs of direct donor benefits	(66,089)	-	(66,089)
Net revenue from special events	77,933	-	77,933
Other special fundraising	9,891	-	9,891
Contributions	109,407	-	109,407
Grants	199,727	120,000	319,727
Investment income	25,226	2,486	27,712
Membership	15,920	-	15,920
Memorials	7,855	-	7,855
Unrealized gains (losses) on investments	43,449	4,465	47,914
Net assets released from restrictions	90,900	(90,900)	-
Total Revenues, Gains, and Other Support	716,941	36,051	752,992
Expenses			
Program expenses			
Operation School Bell®	386,782	-	386,782
Hugs	36,024	-	36,024
Learn	92,655	-	92,655
Scholarships	-	-	-
Wee help	18,530	-	18,530
Total program expenses	533,991	-	533,991
Supporting expenses			
Fundraising expenses			
Special event	9,579	-	9,579
Other	9,081	-	9,081
Total fundraising expenses	18,660	-	18,660
Membership development	16,330	-	16,330
Management and general	32,595	-	32,595
Total supporting expenses	67,585	-	67,585
Total Expenses	601,576	-	601,576
Change in Net Assets	115,365	36,051	151,416
Net Assets, Beginning of Year	3,005,644	266,094	3,271,738
Net Assets, End of Year	\$ 3,121,009	\$ 302,145	\$ 3,423,154

See Notes to Financial Statements

Assistance League ® of Phoenix Arizona  
 Statements of Activities  
 Years Ended May 31, 2013 and 2012

2012		
Unrestricted	Temporarily Restricted	Total
\$ 201,510	\$ -	\$ 201,510
244,190	-	244,190
(220,879)	-	(220,879)
<u>224,821</u>	<u>-</u>	<u>224,821</u>
(90,830)	-	(90,830)
<u>133,991</u>	<u>-</u>	<u>133,991</u>
95,955	-	95,955
(16,811)	-	(16,811)
<u>79,144</u>	<u>-</u>	<u>79,144</u>
2,449	-	2,449
9,109	-	9,109
197,172	206,111	403,283
7,712	685	8,397
19,433	-	19,433
3,198	-	3,198
(32,008)	(3,166)	(35,174)
<u>22,913</u>	<u>(22,913)</u>	<u>-</u>
<u>443,113</u>	<u>180,717</u>	<u>623,830</u>
220,973	-	220,973
25,408	-	25,408
56,266	-	56,266
9,799	-	9,799
8,627	-	8,627
<u>321,073</u>	<u>-</u>	<u>321,073</u>
9,455	-	9,455
5,468	-	5,468
<u>14,923</u>	<u>-</u>	<u>14,923</u>
16,327	-	16,327
23,050	-	23,050
<u>54,300</u>	<u>-</u>	<u>54,300</u>
<u>375,373</u>	<u>-</u>	<u>375,373</u>
67,740	180,717	248,457
<u>2,937,904</u>	<u>85,377</u>	<u>3,023,281</u>
<u>\$ 3,005,644</u>	<u>\$ 266,094</u>	<u>\$ 3,271,738</u>

Assistance League ® of Phoenix Arizona  
 Statements of Functional Expenses  
 Year Ended May 31, 2013

	2013													
	Program Services						Supporting Services							
	Operation School Bell@	HUGS	Learn	Scholar- ships	Wee Help	Total Program Services	Fundraising			Membership Develop- ment	Manage- ment and General	Total Supporting Services	Total Expenses	
						Special Event	Other	Total Fundraising	Thrift Shop					
Direct costs	\$ 247,851	\$ 23,037	\$ 62,184	\$ -	\$ 10,043	\$ 343,115	\$ 69,268	\$ 2,218	\$ 71,486	\$ 11,531	\$ -	\$ -	\$ 83,017	\$ 426,132
Bank charges	659	64	165	-	27	915	31	31	62	595	62	181	900	1,815
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	446	446	446
Computer expense	3,267	318	817	-	136	4,538	151	151	302	-	302	909	1,513	6,051
Copier expense	1,874	182	469	-	78	2,603	87	87	174	-	173	520	867	3,470
National conference	2,285	222	571	-	95	3,173	-	211	211	-	211	635	1,057	4,230
Education	892	87	223	-	37	1,239	-	83	83	-	83	247	413	1,652
Facilities expense	30,652	2,705	5,409	-	2,705	41,471	-	-	-	45,213	-	3,605	48,818	90,289
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Newsletters	1,194	116	298	-	50	1,658	55	55	110	-	110	332	552	2,210
Office expense	2,340	228	584	-	98	3,250	109	108	217	-	216	650	1,083	4,333
Professional services	10,584	1,029	2,646	-	441	14,700	980	980	1,960	-	-	2,940	4,900	19,600
Public relations	4,387	426	1,097	-	183	6,093	203	203	406	-	406	1,219	2,031	8,124
Resource development	1,204	117	301	-	50	1,672	-	112	112	-	112	334	558	2,230
Roster	627	61	157	-	26	871	-	58	58	-	58	174	290	1,161
Salaries and benefits	51,663	5,023	12,916	-	2,152	71,754	4,784	4,784	9,568	40,688	-	14,350	64,606	136,360
Truck expense	-	-	-	-	-	-	-	-	-	2,375	-	-	2,375	2,375
National dues	-	-	-	-	-	-	-	-	-	-	7,985	-	7,985	7,985
Room rental expense	-	-	-	-	-	-	-	-	-	-	-	2,840	2,840	2,840
Members' expense	-	-	-	-	-	-	-	-	-	-	6,612	-	6,612	6,612
Orientation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	359,479	33,615	87,837	-	16,121	497,052	75,668	9,081	84,749	100,402	16,330	29,382	230,863	727,915
Depreciation	27,303	2,409	4,818	-	2,409	36,939	-	-	-	23,615	-	3,213	26,828	63,767
Total expenses	386,782	36,024	92,655	-	18,530	533,991	75,668	9,081	84,749	124,017	16,330	32,595	257,691	791,682
Less: Expenses included with revenues on statement of activities	-	-	-	-	-	-	(66,089)	-	(66,089)	(124,017)	-	-	(190,106)	(190,106)
Total expenses included in expense section on statement of activities	\$ 386,782	\$ 36,024	\$ 92,655	\$ -	\$ 18,530	\$ 533,991	\$ 9,579	\$ 9,081	\$ 18,660	\$ -	\$ 16,330	\$ 32,595	\$ 67,585	\$ 601,576

Assistance League ® of Phoenix Arizona  
 Statements of Functional Expenses  
 Year Ended May 31, 2012

	2012													
	Program Services						Supporting Services							
	Operation School Bell®	HUGS	Learn	Scholar- ships	Wee Help	Total Program Services	Fundraising		Total Fundraising	Thrift Shop	Membership Develop- ment	Manage- ment and General	Total Supporting Services	Total Expenses
Direct costs	\$ 116,307	\$ 15,151	\$ 37,580	\$ 7,207	\$ 2,263	\$ 178,508	\$ 16,811	\$ -	\$ 16,811	\$ 6,237	\$ -	\$ -	\$ 23,048	\$ 201,556
Bank charges	179	22	58	11	5	275	-	18	18	680	18	56	772	1,047
Dues and subscriptions	246	30	79	15	8	378	-	25	25	-	25	150	200	578
Computer expense	2,104	259	680	129	65	3,237	-	216	216	-	216	647	1,079	4,316
Copier expense	1,321	163	427	81	40	2,032	-	135	135	-	135	407	677	2,709
National conference	2,426	299	784	149	75	3,733	-	249	249	-	249	746	1,244	4,977
Education	-	-	-	-	-	-	-	-	-	-	-	1,476	1,476	1,476
Facilities expense	33,153	2,688	2,688	-	2,688	41,217	-	-	-	50,591	-	3,584	54,175	95,392
Miscellaneous	392	48	127	24	12	603	-	1,187	1,187	-	40	474	1,701	2,304
Newsletters	105	13	35	6	3	162	-	11	11	-	11	32	54	216
Office expense	2,421	298	782	149	74	3,724	-	248	248	-	248	745	1,241	4,965
Professional services	8,513	1,048	2,750	524	262	13,097	9,455	873	10,328	-	873	2,620	13,821	26,918
Public relations	6,473	797	2,091	398	200	9,959	-	664	664	-	664	1,991	3,319	13,278
Resource development	78	10	25	5	2	120	-	8	8	-	8	24	40	160
Roster	598	73	193	37	17	918	-	61	61	-	61	184	306	1,224
Salaries and benefits	17,292	2,128	5,586	1,064	532	26,602	-	1,773	1,773	8,360	1,773	5,321	17,227	43,829
Truck expense	-	-	-	-	-	-	-	-	-	665	-	-	665	665
National dues	-	-	-	-	-	-	-	-	-	-	7,858	-	7,858	7,858
Room rental expense	-	-	-	-	-	-	-	-	-	-	-	1,420	1,420	1,420
Members' expense	-	-	-	-	-	-	-	-	-	-	3,774	-	3,774	3,774
Orientation	-	-	-	-	-	-	-	-	-	-	374	-	374	374
Subtotal	191,608	23,027	53,885	9,799	6,246	284,565	26,266	5,468	31,734	66,533	16,327	19,877	134,471	419,036
Depreciation	29,365	2,381	2,381	-	2,381	36,508	-	-	-	24,297	-	3,173	27,470	63,978
Total Expenses	220,973	25,408	56,266	9,799	8,627	321,073	26,266	5,468	31,734	90,830	16,327	23,050	161,941	483,014
Less: Expenses included with revenues on statement of activities	-	-	-	-	-	-	(16,811)	-	(16,811)	(90,830)	-	-	(107,641)	(107,641)
Total expenses included in expense section on statement of activities	\$ 220,973	\$ 25,408	\$ 56,266	\$ 9,799	\$ 8,627	\$ 321,073	\$ 9,455	\$ 5,468	\$ 14,923	\$ -	\$ 16,327	\$ 23,050	\$ 54,300	\$ 375,373



Assistance League ® of Phoenix Arizona  
 Statements of Cash Flows  
 Years Ended May 31, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 151,416	\$ 248,457
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	63,766	63,979
Unrealized (gain)/loss on investments	(47,914)	35,174
Changes in assets and liabilities		
Promises to give receivables	52,898	(135,380)
Prepaid expenses and deposits	(62,056)	(1,814)
Inventory	(21,118)	(36,339)
Accounts payable	(838)	(23,538)
Deferred revenue	5,611	730
Accrued use tax liability	(90)	(23)
	141,675	151,246
Investing Activities		
Purchase of investments	(228,080)	(43,266)
Purchase of equipment	(21,358)	(25,918)
	(249,438)	(69,184)
Net Change in Cash and Cash Equivalents	(107,763)	82,062
Cash and Cash Equivalents, Beginning of Year	835,807	753,745
Cash and Cash Equivalents, End of Year	\$ 728,044	\$ 835,807

## **Note 1 - Nature of Operations and Significant Accounting Policies**

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 primarily a 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 owned.
- 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 Chapter 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 – provide 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 periods are reported as unrestricted support.

### **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. The Chapter does not allow its deposits at any one financial institution to exceed the insurance limits of either the Federal Deposit Insurance Corporation (FDIC), the Securities Investors Protection Corporation (SIPC), or private insurance provided by the financial institution.

### **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash includes cash held in checking, savings, and money market accounts at May 31, 2013 and 2012. 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, 2013 or 2012. 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. As of May 31, 2013 the Chapter had \$82,482 in grant receivables related to promises to give. 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 infants' 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.

### **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 \$260,650 and \$201,510 during the years ended May 31, 2013 and 2012, 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, 2013, these volunteers donated approximately 29,472 hours with an estimated value of \$646,616. This value was computed using an estimated hourly rate of \$21.94, based upon the average hourly earnings of nonagricultural workers for the fiscal year ended May 31, 2013, 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(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) 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). Arizona, the only state in which the Chapter has nexus, follows federal law in the determination of exemption from income tax. The Chapter is required to annually file a Return of Organization Exempt from Income Tax (IRS Form 990). In addition, the Chapter is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Chapter has no taxable unrelated business activities and has not filed an Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T.

The Chapter evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of May 31, 2013 and 2012, the unrecognized tax benefit accrual was zero. Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements.

The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal tax examination by tax authorities for years before 2010 and state examinations for years before 2009.

**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.

**Subsequent Events**

The Chapter has evaluated subsequent events through December 23, 2013, 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:

	2013	2012
Cash on hand	\$ 438	\$ 300
Checking account, Chase Bank	164,940	181,223
Savings account, Chase Bank	148,062	217,713
Payroll account, Chase Bank	1,000	1,000
Brokerage account, Chase Bank	99,924	-
CD, Bakers Trust	231,169	245,527
Money Market account with ArMA Financial Services, Inc.	28,779	190,044
Checking, Operation School Bus	53,732	-
Total cash and cash equivalents	\$ 728,044	\$ 835,807

**Note 3 - Investments**

Investments consisted of the following at May 31:

	2013	2012
Mutual Funds	\$ 731,343	\$ 455,352
Fixed Income	280,074	-
	\$ 1,011,417	\$ 455,352

**Note 4 - Fair Value Measurements and Disclosures**

In determining fair value, the Chapter uses various valuation approaches. FASB ASC 820-10 establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability.

The statement establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 – Valuations based on the quoted prices in active markets for identical assets or liabilities that the Chapter has the ability to access.

Level 2 – Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following are the major categories of assets measured at fair value on a recurring basis, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Assistance League ® of Phoenix Arizona

Notes to Financial Statements

May 31, 2013 and 2012

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<u>May 31, 2013</u>				
Mutual Funds				
Real estate	\$ 16,142	\$ -	\$ -	\$ 16,142
Foreign large blend	33,339	-	-	33,339
Large value	78,838	-	-	78,838
Large growth	33,880	-	-	33,880
Small cap	54,285	-	-	54,285
World allocation	234,785	-	-	234,785
Fixed Income				
Nontraditional bond	95,407	-	-	95,407
Inflation-protected bond	90,870	-	-	90,870
Intermediate-term bond	93,797	-	-	93,797
	<u>\$ 731,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,343</u>
<u>May 31, 2012</u>				
Mutual Funds				
Real estate	\$ 39,181	\$ -	\$ -	\$ 39,181
Foreign large blend		-	-	-
Large value	164,732	-	-	164,732
Large growth	80,025	-	-	80,025
Small cap	111,857	-	-	111,857
	<u>\$ 395,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,795</u>

Donated materials of \$260,650 and \$201,510 for the years ended May 31, 2013 and 2012, respectively, are recorded at an estimated fair value as determined by management based on prior experience and the ultimate sales price of the donated items. These are considered Level 2 inputs.

**Note 5 - Inventory**

Inventory consisted of the following at May 31:

	2013	2012
New clothing and shoes for use in the Operation School Bell® program	\$ 170,952	\$ 139,866
Stuffed bears for use in the HUGS program	6,014	3,684
Infant care items for use in the Wee Help program	551	1,915
Dictionaries for use in the Learn program	9,394	32,648
Used clothing and household items held for sale at the Thrift Shop	74,753	62,433
Total inventory	\$ 261,664	\$ 240,546

**Note 6 - Property and Equipment**

Property and equipment are summarized below:

	2013	2012
Land - 7044 Building	\$ 391,258	\$ 391,258
Land - Philanthropic Center	175,000	175,000
Land improvements - 7044 Building	32,363	32,363
Improvements - 7044 Building	108,350	108,222
Building - 7044 Building	479,377	474,208
Building - Philanthropic Center	298,392	298,392
Improvements - Philanthropic Center	748,733	748,733
Furniture and Equipment - 7044 Building	80,417	80,417
Furniture and Equipment - Philanthropic Center	108,009	91,945
	2,421,899	2,400,538
Less accumulated depreciation	(849,224)	(785,458)
Net property and equipment	\$ 1,572,675	\$ 1,615,080

Depreciation and amortization expense charged to operations was \$63,766 and \$63,979 for the years ended May 31, 2013 and 2012, respectively.

**Note 7 - Lease Commitments**

In July 2010, the Chapter entered into a lease for a copier under a noncancelable operating lease, which expires in September 2013. At the conclusion of the lease, the Chapter has 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, 2013 and 2012 was \$2,709 and \$3,484, respectively. The Chapter is responsible for all taxes and insurance on this equipment.



General maintenance of this equipment was provided by the lessor. The future minimum lease payments are as follows:

<u>Years Ending May 31,</u>	
2014	<u><u>\$ 970</u></u>

**Note 8 - Net Assets**

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

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Board designated for future operating needs	\$ 725,000	\$ 573,000
Undesignated	<u>2,396,009</u>	<u>2,432,644</u>
Total unrestricted net assets	<u><u>\$ 3,121,009</u></u>	<u><u>\$ 3,005,644</u></u>

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

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Grants for Executive Director	\$ 115,211	\$ 206,111
Operation School Bus	120,000	-
Facilities renovation-Porter funds	<u>66,935</u>	<u>59,983</u>
	<u><u>\$ 302,146</u></u>	<u><u>\$ 266,094</u></u>

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>2013</u>	<u>2012</u>
Expenses incurred for purpose specified by donors	<u><u>\$ 90,900</u></u>	<u><u>\$ 22,913</u></u>

**Note 9 - 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, 2013 and 2012, the total paid was \$7,857 and \$7,385 respectively.

**Note 10 - 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, 2013 and 2012 are as follows:

Event	Revenue	Cost of Direct Donor Benefits	Other Event Costs	Net Revenues
2013:				
Celebration of Caring	\$ 144,022	\$ 66,089	\$ 9,579	\$ 68,354
2012:				
Celebration of Caring	\$ 95,955	\$ 16,811	\$ 9,455	\$ 69,689

**Note 11 - Operation School Bell Bus Grants**

During the year ended May 31, 2013, the Chapter received two grants, totaling \$120,000 to expand the Operations School Bell program. The grants are to provide for the purchase and refitting of a city transit bus to become a mobile clothing vehicle to take to schools for the dressing of school children. An advance deposit of \$65,000 was made for the purchase and conversion of the bus, which was delivered to the Chapter in June, 2013. The grants also provide for the hiring of a bus driver and for additional clothing to stock the bus.