

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED MAY 31, 2019

**ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
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MAY 31, 2019**

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Independent Auditor's Report

Board of Directors
Assistance League of Phoenix, Arizona

We have audited the accompanying financial statements of Assistance League of Phoenix, Arizona (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Board of Directors
Assistance League of Phoenix, Arizona
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assistance League of Phoenix, Arizona as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, Assistance League of Phoenix, Arizona adopted new accounting guidance, FASB Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires various financial statement presentation changes and disclosures. Our opinion is not modified with respect to this matter.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
December 17, 2019

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
STATEMENT OF FINANCIAL POSITION
MAY 31, 2019

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 687,541
Investments	963,333
Prepaid expenses	28,670
Inventory	<u>261,311</u>
Total Current Assets	1,940,855
Non-current assets:	
Property and equipment, net of accumulated depreciation	<u>1,420,258</u>
Total Assets	<u><u>\$ 3,361,113</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 5,540
Accrued payroll and related expenses	14,003
Credit card payable	6,716
Deferred revenue	<u>10,360</u>
Total Liabilities	<u>36,619</u>
Net Assets:	
Without donor restrictions	<u>3,324,494</u>
Total Net Assets	<u>3,324,494</u>
Total Liabilities and Net Assets	<u><u>\$ 3,361,113</u></u>

See accompanying notes to financial statements

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains, and other support:			
Sales of merchandise	\$ 369,382	\$ -	\$ 369,382
Contributions of donated merchandise	351,241		351,241
Less value of merchandise sold	(366,052)		(366,052)
Net sales revenue from thrift shop	354,571		354,571
Less thrift shop expenses	(139,946)		(139,946)
Net revenue from thrift shop	214,625		214,625
Special event revenue	324,572		324,572
Less cost of direct donor benefits	(76,122)		(76,122)
Net revenue from special events	248,450		248,450
Lease income	14,741		14,741
Membership	16,136		16,136
Grants	494,567		494,567
Contributions	118,654		118,654
Investment income, net	24,319		24,319
Unrealized gain/loss on investments	(9,353)		(9,353)
Other income	12,931		12,931
Total Revenues, gains, and other support	1,135,070	-	1,135,070
Expenses:			
Program Services			
Operation School Bell ®	\$ 866,197	\$ -	\$ 866,197
Hugs	20,242		20,242
Literacy	10,130		10,130
Wee Help	10,228		10,228
Supporting expenses			
Fundraising expenses			
Special event	64,580		64,580
Membership development	14,525		14,525
Management and general	77,759		77,759
Total Expenses	1,063,661	-	1,063,661
Increase in net assets	71,409	-	71,409
Net assets, beginning of year	3,253,085	-	3,253,085
Net assets, end of year	\$ 3,324,494	\$ -	\$ 3,324,494

See accompanying notes to financial statements

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MAY 31, 2019

	2019											
	Program Services					Supporting Services						Total Expenses
	Operation School Bell	HUGS	Literacy	Wee Help	Total Program Services	Fundraising				Management and General	Total Supporting Services	
Special Event						Thrift Shop	Membership Development	Total Fundraising				
Materials & supplies	495,349	11,884	5,291	7,589	520,113	76,122	4,623		80,745	1,869	82,614	602,727
Bank charges	238				238	2,038	6,705		8,743	8,011	16,754	16,992
Dues and subscriptions	99				99				-	1,095	1,095	1,194
Information technology	15,420	391	227	124	16,162		6,601		6,601		6,601	22,763
Facilities expense	34,006	1,340	776	423	36,545		40,153		40,153	9,652	49,805	86,350
Insurance					-		4,927	637	5,564	1,030	6,594	6,594
Other expense	142	150			292	52,683	806		53,489	539	54,028	54,320
Office expense	857	438	254	138	1,687	565	167	29	761	1,163	1,924	3,611
Professional services					-	7,594			7,594	2,378	9,972	9,972
Marketing and public relations	5,088	206	119	65	5,478	1,700	256		1,956	466	2,422	7,900
Grant expense	33,600				33,600				-		-	33,600
Salaries and benefits	236,036	4,541	2,629	1,434	244,640		54,212		54,212	51,556	105,768	350,408
Contract labor					-		1,360		1,360		1,360	1,360
Bus expense	3,608				3,608				-		-	3,608
National dues					-			4,680	4,680		4,680	4,680
Members expense					-			9,179	9,179		9,179	9,179
Subtotal	824,443	18,950	9,296	9,773	862,462	140,702	119,810	14,525	275,037	77,759	352,796	1,215,258
Depreciation	41,754	1,292	834	455	44,335		20,136		20,136		20,136	64,471
Total expenses	866,197	20,242	10,130	10,228	906,797	140,702	139,946	14,525	295,173	77,759	372,932	1,279,729
Less expenses included with revenues on statement of activities					-	(76,122)	(139,946)		(216,068)		(216,068)	(216,068)
Total expenses included in expense section on statement of activities	866,197	20,242	10,130	10,228	906,797	64,580	0	14,525	79,105	77,759	156,864	1,063,661

See accompanying notes to financial statements

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ 71,409
Adjustments to reconcile changes in net assets to net	
Cash provided/(used) by operating activities:	
Depreciation and amortization	64,471
Decrease in inventory	12,729
Realized and unrealized gain/(loss) on investments	(12,977)
Decrease in prepaid expenses	10,444
(Decrease) in accounts payable	(42,084)
Increase in accrued payroll and related expenses	7,599
Increase in deferred revenue	<u>8,830</u>
Net cash provided by operating activities	<u>120,421</u>
Cash flows from investing activities:	
Purchase of investments	(864,546)
Proceeds from sale of investments	449,520
Purchase of property and equipment	<u>(1,500)</u>
Net cash (used) by investing activities	<u>(416,526)</u>
Cash flows from financing activities:	
Net borrowings on credit card payable	<u>6,716</u>
Net cash provided by financing activities	<u>6,716</u>
Net (decrease) in cash and cash equivalents	(289,389)
Cash and cash equivalents, beginning of year	<u>976,930</u>
Cash and cash equivalents, end of year	<u><u>\$ 687,541</u></u>

See accompanying notes to financial statements

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Assistance League® of Phoenix, Arizona (the Chapter) is an Arizona nonprofit corporation formed in March of 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 Assistance League® of Phoenix Teddy Bear stitched with love from Chapter members.
- LITERACY (BOOK GIFTS/BIRTHDAY BOOKS) – promotes student and family literacy by augmenting the educational resources of Title I elementary schools. Nine Title I schools in greater Phoenix have birthday book centers where every child can pick out a new book on his or her birthday. Thousands of books reach the hands of children through these gifts. For some, this is the first book they have owned.
- 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.

Financial Statement Presentation During the fiscal year ended May 31, 2019, the Chapter implemented FASB Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard is intended to improve financial statement presentation by requiring not-for-profit organizations NFPs to present and disclose qualitative and quantitative information in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows.

These financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the obligation is incurred. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Concentrations of Credit Risk – Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Chapter has not experienced losses in any of these accounts.

Cash and Cash Equivalents – Cash includes cash held in checking, savings, certificates of deposit and money market accounts at May 31, 2019. 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 may include amounts which are subject to donor-imposed restrictions. There were no other restrictions on cash at May 31, 2019.

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.

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

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.

Inventory – Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

The Chapter maintains an inventory of new clothing and shoes for use in its Operation School Bell® program, books for use in its Literacy 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, determined by the weighted-average cost method, or net realizable value. 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.

The Chapter reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended May 31, 2019.

Donor Imposed Restrictions – All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a particular purpose are reported as support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions. However, if a donor restriction is fulfilled in the same time period in which the contribution is received, the Chapter reports that support as without donor restriction.

Donated Materials and Services – Significant materials and services are donated to the Chapter by various individuals, corporations, and other organizations. Donated materials of \$351,241 during the year ended May 31, 2019 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, 2019, these volunteers donated approximately 30,000 hours with an estimated value of \$773,400. This value was computed using an estimated hourly rate of \$25.78, based upon the average hourly earnings of nonagricultural workers for the fiscal year ended May 31, 2019, as determined by the U.S. Department of Labor's Bureau for Labor Statistics, plus 12% for estimated fringe benefits.

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONT'D)**

Income Taxes – The Chapter is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been determined not to be a private foundation under Section 509(a)(2). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Uncertain Tax Positions – The Chapter accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards the Chapter recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions for the year ended May 31, 2019.

Functional Expense Allocation – The financial statements report certain expenses that are attributable to one or more program or supporting functions of the Chapter. These expenses are allocated based on square footage or estimates of personnel time and effort, as applicable.

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.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Franchise Fees – The Chapter pays dues to National Assistance League® based on the number of members in the Chapter. For the year ended May 31, 2019, the Chapter paid franchise fees totaling \$4,680.

Subsequent Events – The Chapter has evaluated subsequent events through December 17, 2019, the date which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash in Bank – The Chapter maintains all of its cash with three financial institutions. At May 31, 2019, the carrying amount of deposits was 687,541 and the bank balance was \$588,956. As of May 31, 2019, all of the \$588,956 bank balance was covered by federal depository insurance.

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3 – INVESTMENTS

Fair Value of Financial Instruments – The Chapter applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Chapter has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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 inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used, as of May 31, 2019, in valuing the Chapter's assets carried at fair value:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<u>May 31, 2019</u>				
Equities				
Balanced equity	\$ 22,331	\$ -	\$ -	\$ 22,331
Mutual Funds				
Real estate	50,732	-	-	50,732
Large value	128,394	-	-	128,394
Large growth	71,456	-	-	71,456
Small cap value	166,581	-	-	166,581
Small cap growth	40,624	-	-	40,624
Foreign large blend	48,378	-	-	48,378
Fixed Income				
Ultrashort bonds	199,670			199,670
Short-term bonds	235,167			235,167
	\$ 963,333	\$ -	\$ -	\$ 963,333

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3 – INVESTMENTS (CONT'D)

The activity in investments is summarized below:

Investment Activity	Beginning Balance	Purchases	Sales	Realized/Unrealized gain/loss, net	Ending Balance
	\$ 535,330	\$ 864,546	\$ 449,520	\$ 12,977	\$ 963,333

The Chapter purchased investments with cash from its bank account and with proceeds from sales of investments.

NOTE 4 – INVENTORY

Inventory consisted of the following at May 31:

	2019
New clothing and shoes for use in the Operation School Bell program	\$ 132,419
Stuffed bears for use in HUGS program	10,103
Infant care items for use in Wee Help program	697
Books for use in the Literacy program	3,814
Used clothing and household items held for sale at the thrift shop	114,278
Total inventory	<u>\$ 261,311</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment at May 31, 2019 consisted of the following:

	2019
Land	
7044 Building	391,258
Philanthropic Center	175,000
Land Improvements - 7044 Building	32,363
Building and Improvements	
7044 Building	721,955
Philanthropic Center	1,065,369
Furniture and Equipment	
7044 Building	83,441
Philanthropic Center	128,096
Operation School Bell	65,490
Total Property and Equipment	<u>2,662,972</u>
Accumulated Depreciation	(1,242,714)
Property and Equipment, net	<u><u>1,420,258</u></u>

Amortization and depreciation expense was \$64,471 for the year ended May 31, 2019.

ASSISTANCE LEAGUE OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 6 – NET ASSETS

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

	2019
Board-designated for future operating needs	\$ 1,100,000
Undesignated	2,224,494
Total unrestricted net assets	\$ 3,324,494

NOTE 7 – SPECIAL EVENT

The Chapter has a major fundraising event to help fund current operations. The revenue and related expenses from this event for the year ended May 31, 2019:

Event	Revenue	Cost of Direct Donor Benefits	Other Event Costs	Net Revenues
Celebration of Caring Gala	\$ 324,572	\$ 76,122	\$ 64,580	\$ 183,870

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Chapter’s financial assets as of May 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are assets held for other uses.

Financial assets:

Cash and cash equivalents	\$ 687,541
Investments	963,333
Prepaid Expenses	28,670

Financial assets at year end: 1,679,544

Less those unavailable for general expenditures within one year due to:

None applicable	\$ -
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Financial assets available to meet cash needs for general expenditures within one year: 1,679,544

The Chapter structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Chapter has a goal to maintain financial assets on hand to meet one year of normal operating expenses.