

**ASSISTANCE LEAGUE
OF SAN LUIS OBISPO COUNTY**

REVIEWED
FINANCIAL STATEMENTS

For the Year Ended
May 31, 2016

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY
INDEPENDENT ACCOUNTANT'S REVIEW REPORT AND
REVIEWED FINANCIAL STATEMENTS
For the Year Ended May 31, 2016

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CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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Independent Accountant's Review Report

Board of Directors
Assistance League of San Luis Obispo County
San Luis Obispo, California

I have reviewed the accompanying statement of financial position of Assistance League of San Luis Obispo County as of May 31, 2016, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

September 30, 2016

Independent Accountant's Review Report

Board of Directors
Assistance League of San Luis Obispo County
San Luis Obispo, California

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Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

September 30, 2016

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

STATEMENT OF FINANCIAL POSITION

May 31, 2016

(With comparative totals for May 31, 2015)

ASSETS

Current assets:

Cash and cash equivalents (Notes 1 and 2)
 Accounts receivable
 Prepaid expenses
 Inventories (Note 3)

	<u>2016</u>	<u>2015</u>
\$ 352,469	\$ 266,022	
836	500	
21,439	17,152	
62,677	70,593	
437,421	354,267	
27,807	30,861	
\$ 465,228	\$ 385,128	

Total current assets

Property and equipment:

Property and equipment net of accumulated depreciation
 of \$13,860 for May 31, 2016 and \$6,829 for May, 31, 2015,
 respectively (Notes 1 and 4).

Total assets

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable
 Deferred revenue

\$ 3,138	\$ 3,722	
13,221	12,375	
16,359	16,097	
428,640	347,956	
20,229	21,075	
448,869	369,031	
\$ 465,228	\$ 385,128	

Total current liabilities

Net assets (Note 6):

Unrestricted
 Temporarily restricted

Total net assets

Total liabilities and net assets

The accompanying notes are an integral part of these financial statements.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

STATEMENT OF ACTIVITIES

For The Year Ended May 31, 2016

(With comparative totals for May 31, 2015)

	Year Ended May 31, 2016			2015 Totals
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Support and revenues:				
Fundraising				
Thrift shop revenue:				
Contributions of merchandise	\$ 228,511	\$ -	\$ 228,511	\$ 92,064
Sales of donated merchandise	236,428		236,428	46,502
Less: Value of merchandise sold	(236,428)		(236,428)	(46,502)
Net revenue from thrift shop	228,511	-	228,511	92,064
Fundraising events and activities (Note 7)				
Revenue	99,429		99,429	97,141
Less: Direct costs	(8,743)		(8,743)	(10,454)
Net revenue from fundraising events and activities	90,686	-	90,686	86,687
Contributions and grants	97,338	10,000	107,338	144,484
Membership - net of expenses of \$2,661 for May 31, 2016 and \$2,861 for May 31, 2015, respectively.	9,051		9,051	7,367
Investment return	793		793	1,333
Net assets released from restrictions:				
Satisfaction of purpose restrictions	10,846	(10,846)		
Total support and revenues	437,225	(846)	436,379	331,935
Expenses:				
Program services:				
Operation School Bell	211,822		211,822	170,140
Operation Bookshelf	7,604		7,604	838
Total program services expenses	219,426	-	219,426	170,978
Supporting services:				
Fundraising				
Thrift shop	86,763		86,763	24,309
Other special events costs (Note 7)	16,691		16,691	10,820
Other fundraising				
Management and general	22,884		22,884	16,753
Membership development	10,777		10,777	4,974
Total supporting services expenses	137,115	-	137,115	56,856
Total expenses	356,541	-	356,541	227,834
Change in net assets	80,684	(846)	79,838	104,101
Net assets at beginning of year	347,956	21,075	369,031	264,930
Net assets at end of year	\$ 428,640	\$ 20,229	\$ 448,869	\$ 369,031

The accompanying notes are an integral part of these financial statements.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

STATEMENT OF CASH FLOWS

For The Year Ended May 31, 2016

(With comparative totals for May 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 79,838	\$ 104,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,031	2,480
(Increase) decrease in accounts receivable	(336)	1,000
(Increase) decrease in prepaids	(4,287)	(7,051)
(Increase) decrease in inventories	7,916	(50,444)
Increase (decrease) in accounts payable	(584)	3,587
Increase (decrease) in deferred revenues	846	(1,932)
Net cash provided by operating activities	90,424	51,741
Cash flows from investing activities:		
Purchase of fixtures and equipment	(3,977)	(29,132)
Net cash used by investing activities	(3,977)	(29,132)
Net change in cash and cash equivalents	86,447	22,609
Cash and cash equivalents at beginning of year	266,022	243,413
Cash and cash equivalents at end of year	\$ 352,469	\$ 266,022

Supplemental disclosures:

There was no cash paid for interest or income taxes for the years ended May 31, 2016 and May 31, 2015.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended May 31, 2016
(With comparative totals for May 31, 2015)

Year Ended May 31, 2016										
Program Services			Supporting Services							
	Operation School Bell	Operation Bookshelf	Total Program Services	Thrift Shop	Other Fundraising Activities	Management & General	Membership Development	Total Supporting Services	Year Ended May 31, 2016 Total Expenses	Year Ended May 31, 2015 Total Expenses
Program supplies	\$208,459	\$ 7,604	\$216,063	\$ 6,720	\$ 25,434	\$ -	\$ 4,255	\$ 36,409	\$ 252,472	\$ 180,486
Occupancy:										
Utilities	\$ 300		300	6,816		\$ 620		7,436	7,736	846
Repairs and maintenance				2,351				2,351	2,351	263
Rent	888		888	54,612		4,918		59,530	60,418	25,364
Insurance	674		674	493		163	127	783	1,457	5,765
Depreciation	1,045		1,045	5,638		348		5,986	7,031	2,480
Professional services				3,548		7,384		10,932	10,932	5,815
Public relations & advertising				3,956		830		4,786	4,786	2,356
Office supplies				2,629		4,187	1,095	7,911	7,911	5,363
National dues							5,300	5,300	5,300	4,008
National conference and meetings	456		456			4,434		4,434	4,890	5,542
Total expenses	211,822	7,604	219,426	86,763	25,434	22,884	10,777	145,858	365,284	238,288
Less expenses included with revenue on statement of activities					(8,743)			(8,743)	(8,743)	(10,454)
Total expenses per statement of activities	\$211,822	\$ 7,604	\$219,426	\$86,763	\$ 16,691	\$ 22,884	\$ 10,777	\$ 137,115	\$ 356,541	\$ 227,834

The accompanying notes are an integral part of these financial statements.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Assistance League of San Luis Obispo County is a nonprofit corporation and is a chartered chapter of National Assistance League. The chapter provides the following programs:

- Operation School Bell provides new clothing, shoes, and dental hygiene kits to grades kindergarten through 12th in the San Luis Obispo County.
- Operation Bookshelf provides a new grade appropriate book for grades kindergarten through 12th in the San Luis Obispo County.

The chapter's support and revenues come primarily from contributions and other fundraising efforts including special events and the operation of a thrift shop.

Basis of Accounting

The financial statements of the chapter have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under ASC 958, the chapter is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* are net assets not subject to donor-imposed restrictions or law.
- *Temporarily restricted net assets* are net assets subject to donor-imposed restrictions that can be fulfilled by actions of the chapter pursuant to those restrictions or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting periods are recorded as unrestricted.
- *Permanently restricted net assets* are net assets subject to donor-imposed restrictions that the gift cannot be wholly expended on a current basis. Investment returns generated from these funds are available for general support of the chapter's programs and operations unless otherwise stipulated by the donor. As of May 31, 2016, the Chapter held no permanently restricted net assets.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the chapter's financial statements for the year ended May 31, 2015, from which the summarized information was derived.

Fair Value Measurements

The chapter follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

For purposes of financial reporting, the chapter has determined that the fair values of its financial instruments, which include cash equivalents, accounts receivable and accounts payable, approximate the carrying values at May 31, 2016, based on their short maturities and/or the terms available to the chapter in financial markets.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts, time deposits, certificates of deposit and all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Management has determined that an allowance for doubtful accounts receivable would be zero based on the organization's credit policies, prior collection experience, and the type of customers associated with Assistance League of San Luis Obispo County.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

The chapter maintains an inventory of retail gift cards, books and dental kits for use in its Operation School Bell and Operation Bookshelf programs which is 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.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the chapter to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Chapter has not experienced any losses on its cash or cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or at fair value at the date of donation in the case of donated assets. The chapter provides for depreciation of property and equipment by use of the straight-line method over the estimated useful lives as follows:

Leasehold improvements	10 to 45 years
Furniture, fixtures and equipment	5 to 10 years
Equipment under capital lease	6 years
Vehicles	5 years

Contributions of long-lived assets, or of cash or other assets that must be used to acquire long-lived assets, are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as determined by the chapter's depreciation policy.

Deferred Revenue

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

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Materials, Services and Free Use of Facilities

Significant materials, services and free use of facilities are donated to the chapter by various individuals, corporations and other organizations, and are reflected in the accompanying financial statements at their fair values at the date of donation.

In addition, a significant portion of the chapter's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the year ended May 31, 2016, these volunteers donated approximately 31,043 hours with an estimated value of \$729,510. This value was computed using an estimated hourly rate of \$23.50, based upon the average hourly earnings of nonagricultural workers for fiscal year ending May 31, 2016, as determined by the U.S. Department of Labor's Bureau of Labor Statistics, plus 12% for estimated fringe benefits.

Tax Status

The chapter is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, 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 under Section 23701d of the Revenue and Taxation Code of the State of California.

The chapter has applied the provisions of the FASB's ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, nonpublic enterprises, including nonprofit organizations, are required to record a tax liability when substantial uncertainties exist as to whether certain income is exempt from federal, state and local income tax. As of May 31, 2016, the chapter had no substantial uncertain income tax positions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. 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.

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents at May 31, 2016 consisted of the following accounts:

Cash on hand	\$	<u>200</u>
Checking accounts:		
Founders Community - Operating		45,183
Founders Community – Donor Restricted		20,229
Wells Fargo – Thrift Shop		118,623
Total checking accounts		<u>184,035</u>
Savings accounts:		
Founders Community – Money Market		158,601
Founders Community – Pay Pal Savings		9,618
Pay Pal – Online Savings		15
Total savings accounts		<u>168,234</u>
Total cash and cash equivalents	\$	<u><u>352,469</u></u>

NOTE 3: INVENTORIES

Inventories at May 31, 2016 consist of the following:

Retail gift cards, books and dental kits for use in the Operation School Bell and the Operation Bookshelf Programs	\$	24,764
Used clothing and household items held for sale at Thrift shop		<u>37,913</u>
Total inventories	\$	<u><u>62,677</u></u>

See Accountant's report

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2016:

Furniture, fixtures and equipment	\$ <u>41,667</u>
Subtotals	41,667
Less accumulated depreciation	<u>(13,860)</u>
Total property and equipment	\$ <u><u>27,807</u></u>

NOTE 5: LEASES

The chapter leases a thrift shop space under a three year operating lease which expires February 28, 2018, with an option to extend two years. Starting in October 2016, an amount was added to this same lease for an additional space adjacent to the main lease. Minimum future lease payments due under the lease at May 31, 2016, are summarized as follows:

For the Year Ending May 31:	Payment <u>Total</u>
2017	\$ 86,398
2018	<u>79,268</u>
Total	\$ <u><u>165,666</u></u>

NOTE 6: NET ASSETS

At May 31, 2016, net assets were restricted by donors or designated by the chapter as follows:

Unrestricted net assets:	
Designated reserve for one year's operating expenses	\$ 301,625
Undesignated	<u>127,015</u>
Total unrestricted net assets	<u>428,640</u>
Temporarily restricted for:	
Operation School Bell and capital improvements	<u>20,229</u>
Total temporarily restricted net assets	<u>20,229</u>
Total net assets	\$ <u><u>448,869</u></u>

ASSISTANCE LEAGUE OF SAN LUIS OBISPO COUNTY

NOTES TO FINANCIAL STATEMENTS

May 31, 2016

NOTE 7: FUNDRAISING EVENTS AND ACTIVITIES

The chapter conducts various fundraising events and activities to help fund current operations. The revenue and related expenses from such events and activities for the year ending May 31, 2016, are as follows:

<u>Event</u>	<u>Revenue</u>	<u>Cost of Direct Benefits to Attendees</u>	<u>Other Event Costs</u>	<u>Net Revenue</u>
Fashion Show	\$ 54,828	\$ 8,743	\$ 15,614	\$ 30,471
Warm Your Heart	44,090		1,021	43,069
Electronic/other	511		56	455
Total special events	\$ <u>99,429</u>	\$ <u>8,743</u>	\$ <u>16,691</u>	\$ <u>73,995</u>

NOTE 8: NONCASH CONTRIBUTIONS

During the year ended May 31, 2016, the chapter received noncash contributions of materials that have been reflected in the financial statements of the chapter as follows:

Operating supplies	\$ <u>59,860</u>
Total noncash donations	\$ <u>59,860</u>

NOTE 9: SUBSEQUENT EVENTS

Assistance League of San Luis Obispo County has evaluated events subsequent to May 31, 2016, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through September 30, 2016, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that the following subsequent event occurred that requires recognition or additional disclosure in the financial statements.

Subsequent event: At an Emergency Board meeting, on September 18, 2016, the Board was presented with a lease proposal from our landlord for 1,250 sq. ft. of space currently being used by our thrift store/chapter house, free of charge. The new lease agreement would be effective October 1st, 2016 under the following terms;

- \$2.00/sq. ft. (\$2,500) plus NNN (triple net), effective October 1, 2016, for the Thrift Store "Free Space" until February 28, 2017. NNN is currently \$495 per month, but adjusts annually.
- Beginning on March 1, 2017 it will increase to \$2.25 per sq. ft. (\$2,812.50) plus NNN through February 28, 2018, when the current lease expires.

The new lease proposal was presented to and approved by the membership at the September 27th, 2016 meeting of membership.