

ASSISTANCE LEAGUE OF KANSAS CITY

FINANCIAL STATEMENTS

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

May 31, 2013 and 2012

ASSISTANCE LEAGUE OF KANSAS CITY

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COCHRAN HEAD VICK & CO., P.C.

& Co

Certified Public Accountants

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

Independent Auditor's Report

To the Board of Directors of
Assistance League of Kansas City

We have audited the accompanying financial statements of Assistance League of Kansas City (a nonprofit organization) which comprise the statement of financial position as of May 31, 2013 and the related statement of activities 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.

Other Offices

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assistance League of Kansas City as of May 31, 2013 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.

Other Matters

The financial statements of Assistance League of Kansas City as of May 31, 2012, were audited by other auditors whose report dated October 9, 2012, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kansas City, Missouri
September 6, 2013

Cochran Hood Vitek & Co., P.C.

ASSISTANCE LEAGUE OF KANSAS CITY

Statements of Financial Position

May 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 452,713	\$ 507,914
Inventories	151,030	140,905
Total current assets	<u>603,743</u>	<u>648,819</u>
Property and equipment	<u>1,758,160</u>	<u>1,540,271</u>
TOTAL ASSETS	<u><u>\$ 2,361,903</u></u>	<u><u>\$ 2,189,090</u></u>
LIABILITIES		
Current liabilities:		
Deferred dues revenue	\$ 20,631	\$ 19,044
Accounts payable	14,399	19,032
Current portion of notes payable	34,831	-
Total current liabilities	<u>69,861</u>	<u>38,076</u>
Notes payable less current portion	<u>743,869</u>	<u>600,000</u>
TOTAL LIABILITIES	<u>813,730</u>	<u>638,076</u>
NET ASSETS		
Unrestricted assets	1,546,458	1,551,014
Temporary restricted assets	<u>1,715</u>	<u>-</u>
TOTAL NET ASSETS	<u>1,548,173</u>	<u>1,551,014</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,361,903</u></u>	<u><u>\$ 2,189,090</u></u>

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

ASSISTANCE LEAGUE OF KANSAS CITY

Statements of Activities

For the years ended May 31, 2013 and 2012

SUPPORT AND REVENUE	2013			2012
	Unrestricted	Temporarily restricted	Total	Unrestricted
Fundraising:				
THE ReSALE SHOP Revenue:				
Contributions of Merchandise	\$ 406,633	\$ -	\$ 406,633	\$ 355,975
Sales of Donated Merchandise	397,923	-	397,923	355,356
Less: Value of Merchandise Sold	(397,923)	-	(397,923)	(355,356)
Net Revenue From THE ReSALE SHOP	406,633	-	406,633	355,975
Poinsettia Sale Revenue	20,903	-	20,903	21,663
Less: Cost of Goods Sold	(11,431)	-	(11,431)	(11,744)
Net Revenue From Poinsettia Sale	9,472	-	9,472	9,919
Mama Jane Product Revenues	6,825	-	6,825	-
Less: Cost of Goods Sold	(3,147)	-	(3,147)	-
Net Revenue From Mama Jane Sale	3,678	-	3,678	-
Program Service Revenue	4,906	-	4,906	4,795
Contributions	40,566	-	40,566	42,608
Grants	49,600	-	49,600	66,200
Membership	21,395	-	21,395	18,388
Interest	1,395	-	1,395	2,701
Other	8,116	1,715	9,831	18,585
Total Support and Revenue and other changes	545,761	1,715	547,476	519,172
Expenses:				
Program Services:				
Operation School Bell®	210,499	-	210,499	201,027
Child In Need	36,476	-	36,476	67,755
Operation Hug	29,028	-	29,028	45,859
Assault Survivor Kits®	26,732	-	26,732	28,085
I'm In Charge	11,626	-	11,626	8,091
Senior Outreach Service	11,563	-	11,563	16,673
Outreach	1,540	-	1,540	-
Best Foot Forward	675	-	675	-
Birthday/Celebration Bags	604	-	604	-
Total program services	328,743	-	328,743	367,490
Supporting Services:				
Fundraising				
THE ReSALE SHOP	48,206	-	48,206	36,781
Other Fundraising Activities	1,713	-	1,713	1,948
Management and general	154,792	-	154,792	126,928
Membership Development	16,863	-	16,863	24,142
Total supporting activities	221,574	-	221,574	189,799
Total expenses	550,317	-	550,317	557,289
CHANGE IN NET ASSETS	(4,556)	1,715	(2,841)	(38,117)
NET ASSETS-Beginning of year	1,551,014	-	1,551,014	1,589,131
NET ASSETS-End of year	\$ 1,546,458	\$ 1,715	\$ 1,548,173	\$ 1,551,014

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

ASSISTANCE LEAGUE OF KANSAS CITY

Statements of Cash Flows

For the years ended May 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,841)	\$ (38,117)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	38,699	19,665
Amortization	1,472	1,472
Change in assets and liabilities		
Inventories	(10,125)	(20,776)
Other assets	-	2,688
Deferred dues revenue	1,587	6,576
Accounts payable	(4,633)	16,668
	<u>24,159</u>	<u>(11,824)</u>
Net cash flows provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(2,464)	(824)
Real Estate Improvements	(255,596)	(764,222)
	<u>(258,060)</u>	<u>(765,046)</u>
Net cash used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of new debt	178,700	600,000
	<u>178,700</u>	<u>600,000</u>
Net cash provided by financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,201)	(176,870)
CASH AND CASH EQUIVALENTS-Beginning of year	<u>507,914</u>	<u>684,784</u>
CASH AND CASH EQUIVALENTS-End of year	<u>\$ 452,713</u>	<u>\$ 507,914</u>

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

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Assistance League of Kansas City is a not-for-profit organized under the laws of the State of Missouri. It is a chartered chapter of National Assistance League. The accompanying financial statements include the activities of Assistance League of Kansas City and its auxiliaries: Assisteens[®] and Heartland (collectively, “the chapter”). The chapter provides the following programs:

- Operation School Bell[®] provides new clothing to elementary and middle school students in Clay and Platte counties
- Child In Need provides school supplies and resources for specific needs of children in Clay and Platte counties.
- Operation Hug provides teddy bears to children in crisis situations in Clay, Platte, Johnson and Jackson counties.
- Assault Survivor Kits[®] provides clothing and hygiene items for sexual assault victims treated at area hospitals.
- I’m In Charge provides materials to schools in Clay, Platte and Jackson counties for safety skills course taught to elementary aged children.
- Senior Outreach Service provides assistance and friendship to senior citizens residing at area senior care facilities.
- Outreach offers one time service projects for the community.
- Best Foot Forward provides clothing and resources to college students entering or re-entering the job market.
- Birthday/Celebration Bags provides cake mix and a present to children celebrating birthdays or other occasions while in foster care.
- Waste Not program recognizes the contributions of the chapter to other area not-for-profit organizations of donated items that cannot be used by THE ReSALE SHOP or other programs. During 2012-2013, 253 bags, averaging 18.7 pounds, of unusable clothing and household goods were donated to City Union Mission. 2 bags of items were also donated to Cristo Rey of Kansas City.

The chapter’s support and revenue comes primarily from contributions and other fundraising efforts including poinsettia sales and operation of THE ReSALE SHOP.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses and purchases are recognized when the obligation is incurred.

Comparative Financial Information

The schedule of functional expenses includes certain prior-year summarized comparative information in total but not by function. Accordingly, such information should be read in conjunction with the chapter’s financial statements for the year ended May 31, 2012, from which the summarized information was derived.

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards (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 according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets include all assets which are neither temporarily or permanently restricted. Unrestricted net assets may include Board-designated funds that are not restricted by the donor. Earnings on investments are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws. Temporarily restricted contributions made during the current year and whose restrictions are met in the current year are also classified as unrestricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

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, 3.

Level 1 inputs consist of quoted prices in active markets for identical assets and has the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The chapter's money market accounts at May 31, 2013 and 2012 are considered level 1.

For purposes of financial reporting, the chapter has determined that the fair values of its financial instruments, which include cash equivalents, approximate the carrying values at May 31, 2013 and 2012 based on their short maturities and/or the terms available to the chapter in financial markets.

Cash and cash equivalents

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

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

Promises to Give

Unconditional promises to give are recognized as contributions in the period received and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories

Operation School Bell inventory consist of new clothing and is stated at the lower of cost or market on a first-in, first-out basis. Cost is determined by the average cost method. The chapter also maintains an inventory of used clothing, household goods and other items donated by chapter members and others for resale by THE ReSALE SHOP that they operate. It is stated at its estimated fair value as determined by average sale prices. All other inventory balances are stated at the lower of cost or market on a first-in, first-out basis.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the chapter to concentrations of credit and market risk consist 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. At May 31, 2013, the chapter had no uninsured balances at these institutions. The chapter has not experienced any losses on its cash or cash equivalents.

Property and equipment

Property and equipment is stated at cost, if purchased, or donated value, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
Computer equipment	5 to 7 years
Furniture and equipment	5 to 10 years
Leasehold improvements	15 years

Deferred dues revenue

Membership dues and program service fees collected prior to the fiscal year to which they apply are deferred and recognized as revenue during the period in which the dues and fees relate.

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 restricted 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 classified 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 and Services

Donated materials of \$406,633 and \$355,975 in the fiscal year ended May 31, 2013 and 2012, respectively, are reflected in the accompanying financial statements at their fair value on the date of donation. Items are donated to THE ReSALE SHOP by chapter members and supporters.

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

In addition, 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 years ended May 31, 2013 and 2012, these volunteers donated approximately 49,581 and 43,872 hours with an estimated value of \$1,105,656 and \$962,552, respectively. This value was computed using an estimated hourly rate of \$22.30 and \$21.94, respectively, based upon the average hourly earnings of "production and nonsupervisory employees on private nonfarm payrolls, seasonally adjusted", 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 as an organization described in Section 501(c)(3) of the Internal Revenue Code and state income taxes pursuant to the laws of the states in which the chapter is registered to operate. Additionally, 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). As a result, no income tax provision or liability has been provided in the accompanying financial statements. The chapter has not incurred unrelated business income taxes.

The chapter has adopted the provision of FASB ASC 740-10, "Accounting for Uncertain Tax Positions." The chapter has evaluated their tax positions and do not believe there are any uncertain tax positions taken by the chapter. The chapter's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ending 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include valuation of inventories, depreciation and estimated lives of property and equipment and the functional expense allocation.

Expense Allocation

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

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at May 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash on Hand	\$ 240	\$ 240
Checking accounts	261,598	62,752
Money market and certificates of deposit	<u>190,875</u>	<u>444,922</u>
Total cash and cash equivalents	<u>\$ 452,713</u>	<u>\$ 507,914</u>

NOTE 3 - INVENTORIES

Inventories at May 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Operation School Bell (new items for distribution)	\$ 97,401	\$ 100,996
THE ReSALE SHOP (used clothing and household items)	43,084	34,374
Operation Hug	7,470	-
I'm In Charge materials	2,082	5,535
Mama Jane's	<u>993</u>	<u>-</u>
Total inventories	<u>\$ 151,030</u>	<u>\$ 140,905</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land, building & improvements	\$ 1,955,683	\$ 1,700,087
Computer equipment	6,536	6,536
Furniture & fixtures	43,024	40,560
Leasehold improvements (THE ReSALE SHOP)	<u>22,077</u>	<u>22,077</u>
Total	2,027,320	1,769,260
Less accumulated depreciation & amortization	<u>(269,160)</u>	<u>(228,989)</u>
Net property and equipment	<u>\$ 1,758,160</u>	<u>\$ 1,540,271</u>

Depreciation and amortization expense amounted to \$40,171 and \$21,137 for the years ended May 31, 2013 and 2012, respectively.

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

The chapter owns a building at 6101 N. Chestnut, Gladstone, Missouri and a building at 6601 N. Oak, Gladstone, Missouri. The building at 6101 N. Chestnut is used for business offices and meetings. The building at 6601 N. Oak was remodeled during the year ended May 31, 2013 and now houses the Operation School Bell and THE ReSALE SHOP.

NOTE 5 – NOTES PAYABLE

Long term debt at May 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Promissory note secured by real estate, payable in monthly installments of interest only ranging from \$1,797 to \$2,245, at a rate of 3.85% until July 1, 2013. Beginning August 1, 2013 the note is payable in monthly principal and interest installments of \$4,751, at a rate of 4.0% until April 1, 2017. Beginning April 1, 2017 the interest rate will adjust to 4.5% and the monthly payment amount may change. The loan matures on April 1, 2022 with a balloon payment of the entire unpaid principal and interest balance.	\$600,000	\$600,000
Promissory note secured by real estate, payable in monthly principal and interest installments of \$1,328 at rate of 4.0% until April 10, 2017. Beginning April 10, 2017 the interest rate will adjust to 4.5% and the monthly payment amount may change. The loan matures on April 10, 2022 with a balloon payment of the entire unpaid principal and interest balance.	178,700	-
Total	778,700	600,000
Less: current portion	34,831	-
Long-term debt	\$743,869	\$600,000

Estimated maturities of long-term debt as of May 31, 2013 are as follows:

2014	\$ 34,831
2015	43,583
2016	45,310
2017	46,326
2018	48,061
Thereafter	560,589
Total	\$ 778,700

NOTE 6 - LEASES

The chapter leases retail space for THE ReSALE SHOP operations under an operating lease that began on September 1, 2008 and that expires August 31, 2013. Due to the purchase of the building at 6601 N. Oak, Gladstone, Missouri, this lease will not be renewed. Under the terms of the lease, remaining minimum rental payments are as follows:

<u>Year ending May 31:</u>	
2014	\$ 18,273

ASSISTANCE LEAGUE OF KANSAS CITY

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2013 AND 2012

NOTE 7 – NET ASSETS

At May 31, 2013 and 2012, net assets were restricted by donors or designated by the chapter as follows:

	2013	2012
Unrestricted net assets		
Designated reserve for one year operating needs	\$ 375,550	\$ 473,099
Undesignated	1,170,908	1,077,915
Total unrestricted net assets	1,546,458	1,551,014
Temporarily restricted net assets		
Contributions restricted for capital campaign	1,715	-
Total temporarily restricted net assets	1,715	-
Total net assets	\$ 1,548,173	\$ 1,551,014

NOTE 8 – SPECIAL EVENTS AND OTHER FUNDRAISING ACTIVITIES

The chapter conducts various special events and other fundraising activities to help fund current operations. The revenue and related expenses from such events and other fundraising activities for the years ended May 31, 2013 and 2012 are as follows:

Event/Activity	2013	2012
Direct Mail		
Revenue	\$ 34,546	\$ 33,174
Other Costs	(1,713)	(1,948)
Net Revenue	\$ 32,833	\$ 31,226
Poinsettia Sale		
Revenue	\$ 20,903	\$ 21,663
Cost of Merchandise	(11,431)	(11,744)
Other Costs	(201)	(44)
Net Revenue	\$ 9,271	\$ 9,875
Mama Jane Products		
Revenue	\$ 6,825	\$ -
Cost of Merchandise	(3,147)	-
Net Revenue	\$ 3,678	\$ -

NOTE 9 – SUBSEQUENT EVENTS

Assistance League of Kansas City has evaluated subsequent events through September 6, 2013 the date the financial statements were available to be issued. No events were identified that required adjustment to or disclosure in the financial statements.

