

**Assistance League of Santa Barbara**

**Audited Financial Statements**

**April 30, 2019 (with Comparative Totals for 2018)**

## Assistance League of Santa Barbara

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
the Assistance League of Santa Barbara

We have audited the accompanying financial statements of the Assistance League of Santa Barbara (a nonprofit organization), which comprise the statement of financial position as of April 30, 2019, and the related statements of activities and cash flows for the fiscal 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.

### Auditors' 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 auditors' 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 the Assistance League of Santa Barbara as of April 30, 2019, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Assistance League of Santa Barbara's 2018 financial statements, and expressed an unmodified opinion on those financial statements in our report dated August 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Moss, Remy & Hartzheim LLP*

Santa Maria, California  
August 28, 2019

**Assistance League of Santa Barbara**  
Statement of Financial Position  
April 30, 2019 (with Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<b>Assets:</b>				
Cash	\$ 320,755	\$ -	\$ 320,755	\$ 280,709
Other receivables	2,416		2,416	295
Bequest receivable	-	150,000	150,000	-
Prepaid expenses	12,537		12,537	10,330
Inventories	321,562		321,562	225,579
Investments	2,402,965		2,402,965	2,250,412
Property and equipment, net	568,208		568,208	565,247
Total assets	<u>\$ 3,628,443</u>	<u>\$ 150,000</u>	<u>\$ 3,778,443</u>	<u>\$ 3,332,572</u>
<b>Liabilities:</b>				
Sales tax payable	\$ 4,922	\$ -	\$ 4,922	\$ 4,504
Accrued liabilities	5,214		5,214	1,395
Deferred dues and fees	33,420		33,420	27,688
Total liabilities	<u>43,556</u>	<u>-</u>	<u>43,556</u>	<u>33,587</u>
<b>Net assets:</b>				
With donor restrictions	-	150,000	150,000	-
Without donor restrictions-designated	1,093,336		1,093,336	2,268,061
Without donor restrictions	2,491,551		2,491,551	1,030,924
Total net assets	<u>3,584,887</u>	<u>150,000</u>	<u>3,734,887</u>	<u>3,298,985</u>
Total liabilities and net assets	<u>\$ 3,628,443</u>	<u>\$ 150,000</u>	<u>\$ 3,778,443</u>	<u>\$ 3,332,572</u>

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

**Assistance League of Santa Barbara**

Statement of Activities

Fiscal Year Ended April 30, 2019 (with Comparative Totals for 2018)

	Fiscal Year Ended April 30, 2019			Fiscal Year Ended April 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues:				
Fundraising:				
Thrift Shop Revenue:				
Contributions of merchandise	\$ 787,850	\$ -	\$ 787,850	\$ 627,795
Sales of donated merchandise	679,101		679,101	617,586
Less: Value of merchandise sold	(679,101)		(679,101)	(617,586)
Net revenue from thrift shop	<u>787,850</u>		<u>787,850</u>	<u>627,795</u>
Fundraising event:				
Assistees fundraiser sales	702		702	1,291
Less: Direct costs	(176)		(176)	(812)
Net revenue from fundraising event	<u>526</u>		<u>526</u>	<u>479</u>
Membership dues	25,131		25,131	25,804
Membership, annual meeting, and social activities	21,183		21,183	20,070
Investment income	135,808		135,808	65,082
Contributions	32,282	150,000	182,282	28,428
In-kind contributions, program	8,065		8,065	12,812
Total support and revenues	<u>1,010,845</u>	<u>150,000</u>	<u>1,160,845</u>	<u>780,470</u>
Expenses:				
Program services:				
Hillside House	116,723		116,723	117,719
Operation School Bell	210,252		210,252	209,321
Teen School Bell	28,860		28,860	14,765
Fun in the Sun	28,946		28,946	28,631
Fostering Friends	9,101		9,101	4,192
Santa Barbara Smiles	8,409		8,409	3,707
Community Friends	20,314		20,314	14,104
Other programs	99,449		99,449	102,969
Total program service expenses	<u>522,054</u>	<u>-</u>	<u>522,054</u>	<u>495,408</u>
Supporting services:				
Fundraising:				
Thrift Shop	81,026		81,026	60,555
Management and general	53,968		53,968	39,020
Membership development	67,895		67,895	84,634
Total supporting services expenses	<u>202,889</u>	<u>-</u>	<u>202,889</u>	<u>184,209</u>
Total expenses	<u>724,943</u>	<u>-</u>	<u>724,943</u>	<u>679,617</u>
Increase (decrease) in net assets	285,902	150,000	435,902	100,853
Net assets at beginning of fiscal year	3,298,985		3,298,985	3,198,132
Net assets at end of fiscal year	<u>\$ 3,584,887</u>	<u>\$ 150,000</u>	<u>\$ 3,734,887</u>	<u>\$ 3,298,985</u>

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

**Assistance League of Santa Barbara**

Statement of Functional Expenses for Program and Support Services  
Fiscal Year Ended April 30, 2019 (with Comparative Totals for 2018)

	Fiscal Year Ended April 30, 2019												Fiscal Year Ended April 30, 2018 Total Expenses	
	Program Services								Support Services					
	Hillside House	Operation School Bell	Teen School Bell	Fun in the Sun	Fostering Friends	Santa Barbara Smiles	Community Friends	Other Programs	Total	Thrift Shop	Management and General	Membership Development		Total Expenses
Grants	\$108,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	113,854	\$ -	\$ -	\$ -	\$ 113,854	\$ 117,514
Bank and credit card fees										13,171	1,217		14,388	12,215
Equipment rental											3,337		3,337	3,456
Insurance		1,345		112				785	2,242	4,481	4,646	2,242	13,611	12,801
Licenses, dues, fees											172	2,800	2,972	2,875
Membership meetings, supplies, and other												5,314	5,314	5,235
Membership annual meeting & social activities												21,832	21,832	18,894
Membership education												1,348	1,348	1,655
National conference												1,371	1,371	22,477
National dues												14,210	14,210	15,100
Postage												452	452	461
Printing and roster												353	1,413	1,734
Professional services												7,875	7,875	10,329
Property taxes										5,071			5,071	240
Public relations	347	347	347	347	347	347	347	3,468	5,897	3,931			9,828	11,414
Repairs and maintenance	680	1,166	520	643	468	680	468	6,036	10,661	18,964	9,865	9,865	49,355	42,143
Scholarships								34,593	34,593				34,593	21,494
Supplies	6,501	199,213	27,993	27,069	8,286	7,183		41,742	317,987	13,065	5,264		336,316	316,785
Telephone and internet										9,311	9,311		18,622	5,760
Utilities	47	1,308		119		24		880	2,378	2,081	1,783	1,189	7,431	6,661
<b>Total operating expenses</b>	<b>116,429</b>	<b>203,379</b>	<b>28,860</b>	<b>28,290</b>	<b>9,101</b>	<b>8,234</b>	<b>815</b>	<b>92,504</b>	<b>487,612</b>	<b>70,075</b>	<b>44,275</b>	<b>61,584</b>	<b>663,546</b>	<b>629,243</b>
Contributions in-kind	49												40	20,946
Depreciation	245	6,873		656		175		5,587	13,536	10,951	9,693	6,271	40,451	36,836
<b>Total expenses</b>	<b>\$116,723</b>	<b>\$210,252</b>	<b>\$28,860</b>	<b>\$28,946</b>	<b>\$9,101</b>	<b>\$8,409</b>	<b>\$20,314</b>	<b>\$99,449</b>	<b>\$522,054</b>	<b>\$81,026</b>	<b>\$53,968</b>	<b>\$67,895</b>	<b>\$724,943</b>	<b>\$679,617</b>
<b>Percent of total expenses</b>	<b>16.10%</b>	<b>29.00%</b>	<b>3.98%</b>	<b>3.99%</b>	<b>1.26%</b>	<b>1.16%</b>	<b>2.80%</b>	<b>13.72%</b>	<b>72.01%</b>	<b>11.18%</b>	<b>7.44%</b>	<b>9.37%</b>	<b>100.00%</b>	

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

**Assistance League of Santa Barbara**  
Statement of Cash Flows  
Fiscal Year Ended April 30, 2019 (with Comparative Totals for 2018)

	Fiscal Year Ended April 30, 2019	Fiscal Year Ended April 30, 2018
Cash flows from operating activities:		
Increase in net assets	\$ 435,902	\$ 100,853
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	40,451	36,836
Loss (gain) on sale of investments	4,987	(6,195)
Unrealized (gain)/loss on investments	(97,285)	(13,960)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Other receivables	(2,121)	(295)
Bequest receivable	(150,000)	
Prepaid expenses	(2,206)	5,584
Inventories	(95,983)	4,111
Increase (decrease) in:		
Sales tax payable	418	617
Accrued liabilities	3,819	1,395
Deferred dues and fees	5,732	2,469
Net cash provided by operating activities	<u>143,714</u>	<u>131,415</u>
Cash flows from investing activities:		
Purchases of property and equipment	(41,992)	(23,711)
Purchases of investments	(296,477)	(538,562)
Proceeds from sales of investments	234,800	430,558
Net cash used by investing activities	<u>(103,669)</u>	<u>(131,715)</u>
Net increase/(decrease) in cash	40,045	(300)
Cash at beginning of fiscal year	<u>280,709</u>	<u>281,009</u>
Cash at end of fiscal year	<u>\$ 320,754</u>	<u>\$ 280,709</u>

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



**Note 1 - Significant Accounting Policies**

This is a summary of significant accounting policies of Assistance League of Santa Barbara (ALSB) and is presented to assist in understanding ALSB's financial statements. The financial statements and notes are representations of ALSB's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

***Nature of operations***

ALSB is an all volunteer nonprofit corporation that develops and implements philanthropic programs to benefit children and adults in Santa Barbara County, California. ALSB is a chartered chapter of the National Assistance League (NAL). ALSB derives its revenues primarily through contributions, grants, investment income, and member dues. In-kind contributions include donated clothing, books, furniture, and household items that are sold in ALSB's Thrift Shop.

***Description of functions***

***Programs***

*Hillside House* - ALSB provides financial and social support to this residential facility that houses individuals with developmental disabilities or brain injuries.

*Operation School Bell* - provides new clothing, school supplies, and health kits to elementary school children that need this assistance in Santa Barbara County.

*Teen School Bell* - provides new clothing to high and middle school children that need this assistance in Santa Barbara County.

*Fun in the Sun* - provides new clothing and educational support to children in need who attend Fun in the Sun Camp, in partnership with United Way, Inc.

*Fostering Friends* - provides clothing, supplies, and mentors to assist pre-emancipating and emancipating foster youth, in making the transition from foster care to independent living.

*Santa Barbara Smiles* - provides dental health education and hygiene kits to low-income children and adults in Santa Barbara at the Santa Barbara Neighborhood Dental Clinic, and at school-based health fairs sponsored by the County Public Health Department.

*Community Friends* - provides donated clothing, books, furniture, and household goods not sold in the Thrift Shop to other local nonprofit organizations.

*Other programs* - *Bear HUGS* distributes "huggy bears" to individuals in severe trauma through cooperating local organizations. *Family Learning Center* provides tutoring and mentoring support to children and their families. *Friendship Luncheons* provides community seniors with food, entertainment, and Thrift Shop shopping excursions six times each year. *Kids on the Block* provides puppeteer performances in elementary schools to promote discussions on social issues. *Operation Book Shelf* provides reading opportunities to homebound individuals, as well as reading materials to Goleta Library. *Prom Dress* loans prom dresses to local high school girls. *Very Improved Performers (VIP)* provides quarterly luncheons and awards to nominated local middle school students. *Tender touch* provides a memorial layette box for grieving parents who have just lost a child at birth at Cottage Hospital. *Scholarship program* provides scholarships to higher-education bound students in Santa Barbara County. *"Faux Prom" for Seniors*, an Assisteens program, provides an annual "Faux Prom" for interactive activities at Wood Glen Hall.

*Management and General* - Includes the functions necessary to maintain the organization's support program; ensures an adequate working environment; provides coordination and articulation of the organization's program strategy through the office of the board president; secures proper administrative functioning of the board of directors; maintains competent legal services for the program administration of the organization; and manages the financial and budgetary responsibilities of the organization.

*Fundraising* - Provides the structure necessary to encourage and secure in-kind contributions and financial support from individuals, foundations, and businesses.

***Basis of accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

**Note 1 - Significant Accounting Policies (continued)**

***Basis of presentation***

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Net assets without donor restrictions* - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Net assets with donor restrictions* - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

As of April 30, 2019 and 2018 ALSB has no donor restricted endowment funds. The \$150,000 bequest receivable as of April 30, 2019 has a time restriction due to collection in the next fiscal year.

***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

***Functional allocation of expenses***

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain management and general costs have been allocated among the program and supporting services benefited, based on square footage and/or other appropriate basis.

***Tax status***

ALSB has been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. ALSB qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). ALSB is exempt from state income taxes under Section 2370(d) of the California Revenue and Taxation Code. With few exceptions, ALSB is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before May 1, 2014.

***Cash***

All short-term investments with original maturities of three months or less are considered to be cash equivalents.

***Bequest receivable***

ALSB has determined the \$150,000 bequest receivable to be collected in full in the next fiscal year.

***Inventories***

Inventories consist of used clothing, books, furniture, and household goods held for sale in the Thrift Shop, and new clothing, prom dresses, toy bears, dental hygiene kits, and other materials used in programs valued at the lower of cost or market if purchased, or fair value on the date of donation, on the average cost basis.

***Property and Equipment***

Purchases of property and equipment costing \$500 or more are capitalized. Donated property and equipment valued at \$500 or more are capitalized, and recorded at fair value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance

**Note 1 - Significant Accounting Policies (continued)**

***Property and Equipment (continued)***

and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the fiscal year of disposal. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, that range from five to ten years for furniture and equipment, and ten to 39 years for buildings and improvements.

***Donations of property and equipment***

Donations of property and equipment (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as unrestricted contributions in the fiscal year received.

***Investments***

Investments consist of debt and equity securities with readily determinable fair values, presented at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

***Deferred dues and fees***

Membership dues are recognized as revenue in the fiscal year they are earned. Amounts collected or billed for future fiscal years are recorded as deferred dues and fees.

***Revenue recognition***

Contributions are recognized as revenue when received, or as a pledge receivable on the date a written unconditional promise to give is received by the donor. All other revenues are recorded when earned.

***Contributed services***

ALSB records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by U.S. Generally Accepted Accounting Principles (U.S. GAAP). A substantial number of volunteers have donated significant amounts of time to ALSB's activities, that is not reflected in the accompanying financial statements because these services did not meet the above criteria.

***Contributions***

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Fair value measurements***

ALSB follows ASC 820, Fair Value Measurements and Disclosures, issued by the Financial Accounting Standards Board (FASB). This standard establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ALSB has the ability to access.

Level 2. Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

**Note 1 - Significant Accounting Policies (continued)**

***Fair value measurements (continued)***

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. However, level 1 inputs are not available for some of the assets that the organization is required to measure at fair value (for example, in-kind contributions).

The primary uses of fair value measures in ALSB's financial statements are as follows:

Initial measurement of in-kind contributions.

Recurring measurement of investments in marketable debt and equity securities, and certificates of deposit.

Recurring measurement of inventories of donated goods.

***Advertising costs***

Advertising costs intended to solicit revenue in an exchange transaction are recorded as management and general expenses in the period incurred. There were no advertising costs to solicit revenue in the fiscal year ended April 30, 2019.

***Subsequent events***

ALSB has evaluated events subsequent to April 30, 2019, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through August 28, 2019, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

***Prior-Year Summarized Comparative Information***

The financial statements include certain prior-year summarized comparative information in total but are not presented by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the ALSB's financial statements for the fiscal year ended April 30, 2018 from which the summarized information was derived.

***Change in Accounting Principles***

The Organization implemented FASB ASU No. 2016-14 in the current fiscal year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

1. The temporarily restricted net asset class has been renamed to net assets with donor restrictions.
2. The unrestricted net asset class has been renamed to net assets without donor restrictions.
3. The financial statements include a disclosure about liquidity and availability of resources (Note 2)

The changes have the following effect on net assets at May 1, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 3,298,985	\$ -
Temporarily restricted net assets	-	-
Net assets without donor restrictions	-	3,298,985
Net assets with donor restrictions	-	-
Total net assets	\$ 3,298,985	\$ 3,298,985

**Assistance League of Santa Barbara**  
Notes to the Financial Statements  
Fiscal Year Ended April 30, 2019

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of April 30, 2019 are:

Financial Assets:	
Cash on hand and in banks	\$ 320,755
Short-term investments	2,402,965
Bequest receivable	150,000
Accounts receivable	2,416
Total financial assets	<u>\$ 2,876,136</u>
Less: board designations	<u>(271,206)</u>
Amounts available for expenditure within one year	<u><u>\$ 2,604,930</u></u>

The table above reflects the board designated funds for capital improvements as unavailable because it is the organization's intent to spend those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from the board designated funds. Note 9 provides more information about those funds.

**Note 3 - Cash**

Cash is held in separate bank and investment accounts when designated or restricted for specific purposes. Cash held in banks on April 30, 2019 totaled \$191,573 and was federally insured. Cash consisted of the following at April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash on hand, Thrift Shop	\$ 1,618	\$ 1,390
Operations checking	117,449	130,690
Las Aletas checking	10,507	6,769
Other checking-memorial funds	33,573	26,665
Other	190	40
Subtotal in bank accounts	<u>163,337</u>	<u>165,554</u>
Cash in investment accounts:	<u>157,418</u>	<u>115,155</u>
Total cash	<u><u>\$ 320,755</u></u>	<u><u>\$ 280,709</u></u>

**Note 4 - Inventories**

As described in Note 1, inventories consist of donated items held for sale in the Thrift Shop and workroom, and new and gently used items required for ALSB's various programs. Inventories are as follows at April 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Items held for sale:		
Thrift Shop inventory	<u>\$ 198,475</u>	<u>\$ 111,572</u>
Items held for use in programs:		
Operation School Bell	72,240	74,408
Fun in the Sun	17,042	6,629
Bear HUGS	2,356	3,273
Teen School Bell prom dresses	24,150	22,830
Santa Barbara Smiles	3,431	5,512
Very Improved Performer	2,195	1,205
Tender Touch	<u>1,673</u>	<u>150</u>
Subtotal program inventory	<u>123,087</u>	<u>114,007</u>
Total inventories	<u><u>\$ 321,562</u></u>	<u><u>\$ 225,579</u></u>

**Assistance League of Santa Barbara**  
Notes to the Financial Statements  
Fiscal Year Ended April 30, 2019

**Note 5 - Property and Equipment**

Property and equipment consisted of the following activity for the fiscal years ended April 30, 2019 and 2018:

	2019	2018
Land and land improvements	\$ 370,989	\$ 369,569
Buildings and improvements	454,366	437,546
Furniture and equipment	62,277	37,105
Property and equipment at cost	<u>887,632</u>	<u>844,220</u>
Less: Accumulated depreciation	<u>(319,424)</u>	<u>(278,973)</u>
Property and equipment, net	<u>\$ 568,208</u>	<u>\$ 565,247</u>

**Note 6 - Investments**

The cost basis of investments, and cumulative gains and losses at April 30, 2019 and 2018, is as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments in marketable securities:				
Certificates of deposit	\$ 85,567	\$ 85,640	\$ 146,130	\$ 146,262
Corporate bonds	1,346,505	1,365,713	1,281,135	1,264,009
Corporate stocks	633,448	913,809	597,002	816,595
Exchange traded funds	23,484	23,634	10,432	10,341
Accrued interest	14,169	14,169	13,205	13,205
Total investments	<u>2,103,173</u>	<u>\$ 2,402,965</u>	<u>2,047,904</u>	<u>\$ 2,250,412</u>
Cumulative unrealized gains	299,792		202,508	
Investments at fair value	<u>\$ 2,402,965</u>		<u>\$ 2,250,412</u>	

Investment income for the fiscal years ended April 30, 2019 and 2018, consisted of the following:

Interest and dividends	\$ 61,990	\$ 62,839
Investment fees	(18,479)	(17,912)
Realized gains (losses)	(4,987)	6,195
Unrealized gains	97,284	13,960
Net investment income	<u>\$ 135,808</u>	<u>\$ 65,082</u>

**Note 7 - Fair Value Measurements**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2019 and 2018.

*Exchange-traded certificates of deposit:* Determined by the closing bid price on the last business day of the fiscal year if actively traded, and include accrued interest.

*U.S. Department of Treasury obligations:* Determined by the closing bid price on the last business day of the fiscal year if actively traded and include accrued interest.

*Municipal bonds:* Determined using recently executed transactions, market price quotations, and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads, volatility, and include accrued interest.

*Corporate bonds:* Determined using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads obtained from independent external parties such as brokers and vendors and include accrued interest.

*Exchange-traded equity securities:* Determined by the closing price on the last business day of the fiscal year.

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**Note 7 - Fair Value Measurements (continued)**

*Exchange-traded funds:* Determined by the published closing price on the last business day of the fiscal year.

*Thrift Shop and prom dress inventories:* Determined by experienced Thrift Shop department managers using local competitor's thrift shop values, supported by guidance from annually published Salvation Army thrift shop values, or the Internal Revenue Service values for common donated goods. Specific items that appear to be of higher value are researched on the Internet on sites such as eBay.com and others, for comparable items and their associated values.

The following table sets forth, by level within the fair value hierarchy, ALSB's assets stated fair value on a recurring basis at April 30, 2019.

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant other Observable Inputs Level 2
Investments in marketable securities:			
Certificates of deposit	\$ 85,640	\$ -	\$ 85,640
Corporate bonds	1,365,713		1,365,713
Corporate stocks	913,809	913,809	
Exchange traded funds	23,634	23,634	
Accrued interest	14,169	14,169	
Total investments	<u>\$2,402,965</u>	<u>\$ 951,612</u>	<u>\$ 1,451,353</u>

There were no significant transfers between the levels during the year.

**Note 8 - Deferred Dues and Fees**

Member dues and fees collected for the following fiscal year are recorded as deferred dues and fees on the statement of financial position until they are earned. Deferred dues and fees activity for the fiscal year ended April 30, 2019 is as follows:

	2019	2018
Beginning balance	\$ 27,688	\$ 25,219
Received	33,420	27,688
Earned	(27,688)	(25,219)
Ending balance	<u>\$ 33,420</u>	<u>\$ 27,688</u>

**Note 9 - Designated Net Assets**

At April 30, 2019, net assets were designated by ALSB's Board as follows:

	2019	2018
Designated net assets without donor restrictions:		
Designated reserve for one fiscal year's operating expenses	\$ 822,130	\$ 732,056
Smyth funds designated for capital improvements	271,206	296,868
Total designated net assets without donor restrictions	<u>\$ 1,093,336</u>	<u>\$ 1,028,924</u>

**Note 10 - Thrift Shop Sales**

ALSB's Thrift Shop sells donated clothing, books, gifts, furniture, household goods, and other merchandise valued at fair value (see Note 7) and sold to fund operations. Accordingly, merchandise sales equals the value of merchandise sold. The donated goods received and sold or held as inventory were recorded at fair value as in-kind contributions (Note 12).

**Note 11 - Fundraiser Sales**

The Assisteens Auxiliary made and sold hand lotion in December 2018 and 2017 to raise funds for a prom night for senior citizens, as detailed on the statement of activities on page 4.

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**Note 12 - Contributions In-kind**

In-kind contributions of materials and supplies for the fiscal years ended April 30, 2019 and 2018, consisted of

In-kind contributions:	2019	2018
Thrift Shop merchandise	\$ 679,101	\$ 617,586
Program in-kind contributions:		
Hillside House	49	168
Other programs	1,358	-
Membership development	40	-
Community Friends	19,499	13,370
Subtotal program in-kind contributions	<u>20,946</u>	<u>13,538</u>
Total contributions in-kind	<u>700,047</u>	<u>631,124</u>
Less: items included in inventory	<u>(679,101)</u>	<u>(617,586)</u>
Total contributions in-kind expense	<u>\$ 20,946</u>	<u>\$ 13,538</u>

*Contributed services:*

ALSB is operated entirely by unpaid volunteers. The value of these contributed services is not reflected in the accompanying financial statements because the services do not meet the criteria described in Note 1. The estimated value of these services is calculated below using an hourly rate of \$25.43 and \$25.22 based upon the average hourly earnings of the U.S. Department of Labor's Bureau of Labor Statistics' "production and nonsupervisory employees on private nonfarm payrolls, seasonally adjusted" (nonagricultural workers in the U.S.), for the fiscal years ended April 30, 2019 and 2018, respectively, plus 12% for estimated fringe benefits. Contributed hours of service by function and estimated values are as follows:

Function:	2019		2018	
	Hours	Value	Hours	Value
Program	9,935	\$ 252,647	9,405	\$ 237,194
Management and general	14,565	370,388	13,454	339,310
Fund raising	32,629	829,755	29,127	734,583
Total	<u>57,129</u>	<u>\$ 1,452,790</u>	<u>51,986</u>	<u>\$ 1,311,087</u>

**Note 13 - Concentrations of Risk**

Amounts held in financial institutions were not in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits at April 30, 2019. ALSB deposits its cash with high quality financial institutions and management believes ALSB is not exposed to significant credit risk on those amounts.

The majority of ALSB's contributions and grants are received from individuals, foundations, and businesses located in the greater Santa Barbara metropolitan area and from agencies of the county of Santa Barbara. As such, ALSB's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the County of Santa Barbara. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for ALSB's services.

ALSB's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to ALSB's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see Notes 6 and 7) should mitigate the impact of changes in any one class.