

LA LECHE LEAGUE INTERNATIONAL, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**As of March 31, 2009
and for the Year Then Ended**

LA LECHE LEAGUE INTERNATIONAL, INC.

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
La Leche League International, Inc.
Schaumburg, IL

We have audited the accompanying statement of financial position of La Leche League International, Inc. (a non-profit organization) as of March 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2008 financial statements in which we expressed an unqualified opinion.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Leche League International, Inc. as of March 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The attached schedule of expense by natural classification and schedule of program services expense are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, subject to our qualification on statement of activities, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Desmond & Ahern, Ltd.

June 29, 2009
Chicago, IL

LA LECHE LEAGUE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 640,217	\$ 1,118,546
Investments	4,991	-
Accounts receivable, net of allowance of doubtful accounts of \$39,506 and \$81,846	75,597	99,781
Royalties receivable	381,260	131,112
Inventory, net of allowance of \$0 and \$30,710	179,050	198,425
Prepaid expenses	29,522	18,469
Total Current Assets	<u>1,310,637</u>	<u>1,566,333</u>
Property, Office Equipment and Software Development		
Office and land	665,000	665,000
Office equipment, furniture and vehicle	279,578	286,640
Software development	1,184,925	962,176
	<u>2,129,503</u>	<u>1,913,816</u>
Less accumulated depreciation and amortization	(648,877)	(428,408)
Net Property and Equipment	<u>1,480,626</u>	<u>1,485,408</u>
Total Assets	<u><u>\$ 2,791,263</u></u>	<u><u>\$ 3,051,741</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 363,147	\$ 187,756
Accrued liabilities	10,643	61,767
Deferred revenue	158,419	176,613
Total Current Liabilities	<u>532,209</u>	<u>426,136</u>
Net Assets		
Unrestricted		
General	1,744,544	2,191,586
Board designated	449,130	289,396
Total unrestricted net assets	<u>2,193,674</u>	<u>2,480,982</u>
Temporarily restricted	55,280	134,623
Permanently restricted	10,100	10,000
Total Net Assets	<u>2,259,054</u>	<u>2,625,605</u>
Total Liabilities and Net Assets	<u><u>\$ 2,791,263</u></u>	<u><u>\$ 3,051,741</u></u>

See independent auditor's report and notes to financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2009 (with comparative totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<u>Revenues</u>					
Publications, net of discounts and returns of \$23,763 and \$10,153	\$ 681,029	\$ -	\$ -	\$ 681,029	\$ 882,104
Periodicals	84,534	-	-	84,534	114,059
Membership dues	334,727	-	-	334,727	319,180
International conference	-	-	-	-	15,000
Royalty income	541,345	-	-	541,345	319,003
Workshop and seminar fees	3,360	-	-	3,360	938,106
Enduring materials income	-	-	-	-	70
Miscellaneous	15,780	-	-	15,780	5,583
Contributions	407,392	27,230	100	434,722	482,529
In-kind contributions	-	17,960	-	17,960	213,618
Net assets released from restrictions	126,305	(126,305)	-	-	-
	<u>2,194,472</u>	<u>(81,115)</u>	<u>100</u>	<u>2,113,457</u>	<u>3,289,252</u>
<u>Expenses</u>					
Supporting Services					
Management and operations	482,353	-	-	482,353	534,573
Fundraising	247,550	-	-	247,550	187,042
Total Supporting Services	729,903	-	-	729,903	721,615
Program services	1,764,648	-	-	1,764,648	2,771,634
Total Expenses	<u>2,494,551</u>	<u>-</u>	<u>-</u>	<u>2,494,551</u>	<u>3,493,249</u>
(Decrease) in Net Assets from Operations	<u>(300,079)</u>	<u>(81,115)</u>	<u>100</u>	<u>(381,094)</u>	<u>(203,997)</u>
<u>Other Income</u>					
Interest income	12,771	1,772	-	14,543	59,944
Total Other Income	<u>12,771</u>	<u>1,772</u>	<u>-</u>	<u>14,543</u>	<u>59,944</u>
Net (Decrease) in Net Assets	(287,308)	(79,343)	100	(366,551)	(144,053)
<u>Net Assets</u>					
Beginning of year	2,480,982	134,623	10,000	2,625,605	2,769,658
End of year	<u>\$ 2,193,674</u>	<u>\$ 55,280</u>	<u>\$ 10,100</u>	<u>\$ 2,259,054</u>	<u>\$ 2,625,605</u>

See independent auditor's report and notes to financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>Operating Activities</u>		
Net (decrease) in net assets	\$ (366,551)	\$ (144,053)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	261,044	167,252
Bad debt expense	-	(54,700)
In-kind donation for software development and computer	-	(197,877)
Donation of stock	(4,991)	-
Change in		
Accounts receivable	(225,964)	44,589
Inventory	19,375	77,968
Prepaid expenses and deposits	(11,053)	88,691
Accounts payable and accrued expenses	124,267	36,182
Deferred revenue	(18,194)	(420,032)
Net Cash (Used in) Operating Activities	<u>(222,067)</u>	<u>(401,980)</u>
<u>Investing Activities</u>		
Purchase of property, office equipment and software development	<u>(256,262)</u>	<u>(208,586)</u>
Net Cash (Used in) Investing Activities	<u>(256,262)</u>	<u>(208,586)</u>
Net (Decrease) in Cash and Equivalents	(478,329)	(610,566)
Cash and equivalents, beginning of year	<u>1,118,546</u>	<u>1,729,112</u>
Cash and equivalents, end of year	<u><u>\$ 640,217</u></u>	<u><u>\$ 1,118,546</u></u>

See independent auditor's report and notes to financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities and Organization

La Leche League International, Inc. (La Leche League) is an Illinois not-for-profit, nonsectarian membership organization. It was formed in 1956 for the purpose of offering encouragement, information and support to women who choose to breastfeed their babies and, in so doing, to foster good mothering through breastfeeding.

La Leche League has its international headquarters in Schaumburg, Illinois. The major services provided to support members and others are educational in nature. Funding for these services is derived primarily from publication and product sales, contributions and membership dues. La Leche League's services and products are provided to members and others throughout the world.

Individuals have formed various autonomous local groups which have associated with La Leche League. These groups are issued a certificate of affiliation, contribute annual membership fees and agree to conduct their affairs in accordance with the general bylaws of La Leche League. These groups operate independently and, therefore, the activity of such groups is not presented in the financial statement of La Leche League.

Basis of Accounting

The accounts are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities in conformity with accounting principles applicable to non-profit organizations.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (cont.)

Functional Cost Allocation

The cost of providing the Association's various programs and supporting services have been summarized on a functional basis. Accordingly, certain administrative costs have been allocated among programs and supporting services.

Cash and Equivalents

For purposes of the combined Statement of Cash Flows, money market funds and certificates of deposit are considered cash equivalents.

Investments

Investments are carried at fair value as determined by quoted market prices and consist of common stock.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation.

Description of Program and Supporting Services

The following program and supporting services are included in the financial statements:

Publications include books, pamphlets, tear-off sheets and other educational materials that provide information about breastfeeding to parents as well as health care professionals. Also included are products related to breastfeeding, childbirth and parenting that La Leche League distributes through mail and online order sales.

Periodicals include publishing one bimonthly and one quarterly magazine, one that provides information on breastfeeding for La Leche League members and the other that provides information and organizational background for La Leche League leaders who provide one-to-one support to mothers.

Leader Support the Leader, using her experience and La Leche League training, provides and facilitates mother-to-mother support. Leaders help mothers in person or on the phone, conduct monthly meetings, supervise the management of the group, and keep up-to-date on breastfeeding issues.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (cont.)

External Relations and Advocacy this program nurtures the establishment of networking relationships with external agencies, private voluntary organizations and nongovernmental organizations who work in maternal/child healthcare, nutrition and community development to further breastfeeding support and information, as well as increase La Leche League visibility and credibility.

Public Relations responds to the media, organizations, educational groups, health agencies, the general public and La Leche League membership regarding the mission, philosophy and position on breastfeeding issues. Press releases, web site information and other communiqués are used to accomplish these goals.

Customer Service/Order Department enters catalog orders, answers questions and provides information on products and services offered by La Leche League to customers.

Workshops and Seminars bring together parents, leaders, health care providers, peer counselors and the breastfeeding community from all over the world to educate them about breastfeeding, parenting and health issues. La Leche League is accredited to provide continuing medical education to physicians, continuing education to nurses and international board certified lactation consultants at conferences and seminars and workshops.

Latch On is a project to provide a Web site as a linkage between various needs and resources. Leaders or La Leche League entities with needs post them on the website, and then those who have the resources (monetary or in-kind) have a vehicle through which to contribute to the organization.

Management and General includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, and provide coordination and articulation of La Leche League's programs and mission, as well as the financial and budgetary responsibilities of La Leche League.

Board of Directors establishes policy, governs the business and affairs of La Leche League and hires the Executive Director. The Board is comprised of no fewer than thirteen and no more than eighteen members from throughout the world. The Board meets twice a year and conducts business between meetings as necessary.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (cont.)

Fundraising spring and fall appeals are conducted to individual donors. The Fundraising Director sends acknowledgements to donors, explores commercial relationships for the Organization and pursues financial support from foundations, governments and corporations.

Inventory

Inventory, which primarily consists of finished books on breastfeeding, is valued on the average cost basis.

Property, Office Equipment and Software Development

Property and equipment is recorded at historical cost. La Leche League capitalizes fixed asset additions over \$1,500. Depreciation is computed by use of the straight-line method for all property and equipment.

The estimated useful lives used in computing depreciation and amortization are as follows:

Office	40 years
Office equipment, furniture and vehicles	3 - 10 years
Software development	3 years

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions or property and equipment are included in the statement of activities.

Deferred Revenues

Deferred revenue includes membership fees, subscriptions, and workshop, seminar and biannual conference fees received in the current period which are applicable to a future period.

Contributions

Contributions are recognized when the donor makes a promise to give to La Leche League that is, in substance, unconditional. Promises to give payable over more than one year are recorded at present value. Contributions of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions on permanently restricted contributions never expire; the assets must be invested in perpetuity.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (cont.)

Income Taxes

La Leche League is a nonprofit organization which has been granted a tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code. La Leche League is required to pay Federal and State income taxes only on its net unrelated business income. For the year ended December 31, 2008, no tax provision was deemed necessary by management.

The Financial Accounting Standards Board (FASB) issued interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. FASB and FIN 48 is prescribing a comprehensive model for recognizing, measuring, presenting, and disclosing income tax positions taken and reported on a tax return. The FIN is effective for fiscal years beginning after December 31, 2008.

Note 2 – Concentration of Credit Risk

La Leche League maintains cash and cash equivalents in certain financial institutions. At times during the year, balances at these institutions exceeded the FDIC limits. Amounts exceeding this balance total approximately \$206,000 at March 31, 2009.

Note 3 – Publication Royalty

During the year ended March 31, 2009, the League entered into an agreement with Random House Publishing for the development and ultimate publication of three manuscripts. Revenue is being recognized by management as agreed-upon milestones are substantially met. If all milestones are met, the aggregate royalty could total \$600,000.

As of March 31, 2009, management stipulated that two milestones were substantially fulfilled and \$250,000 was recorded as royalty received. Payment is expected with the execution of a written contract. The contract with the publisher, that formalizes the agreement, is expected to be signed in the Summer of 2009. Management is confident that the contract will be executed and payment received.

Note 4 – Deferred Revenue

Deferred revenue at March 31, 2009 consist of:

Membership dues and subscriptions	\$ 158,026
Web advertising	393
	<u>\$ 158,419</u>

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of March 31, 2009:

Strategic projects	\$ 453
Leader accreditation development	639
CBI (reference library)	9,391
BPI Fund (bracelets)	17,737
Latch On	2,852
Information systems project	57
Board training	469
Book project	224
Editor	1,139
Breastfeeding helplines	102
Maternal child health	1,317
Medela	5,203
Leader Support (Chaordic)	135
WABA	31
Worldwide marketing	1,020
Executive Director	10,477
External and advocacy project	254
LLLI office/projects	16
800 Spanish Line	1,169
Alumnae	116
Miscellaneous restricted	2,479
	<u>\$ 55,280</u>

Note 6 – Permanently Restricted Net Assets

In July 1997, a donation of \$10,000 was received to establish an endowment fund. The investment income earned on the endowment fund is to be used to support general operating expenses.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 7 – Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2009 by incurring expenses satisfying the following restricted purposes specified by donors:

Board training	\$ 6,129
CBI (reference library)	6,201
Chaordic Initiative	5,862
Editor stipends	1,800
In-kind donations	17,960
LatchOn	15,130
Medela grant	14,540
Office projects	12,925
Strategic	37,568
WABA	7,282
Miscellaneous restricted	908
	<u>\$ 126,305</u>

Note 8 – Lease, Other Commitments and Contingency

La Leche League is the lessee of office equipment under several operating leases. There is also a contract for software maintenance and ongoing services related to the membership database.

Minimum future payments under operating leases and software agreement for each of the next five fiscal years are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2010	\$ 20,346
2011	5,471
2012	4,200
Total	<u>\$ 30,017</u>

Note 9 – Volunteer Services

No amounts have been reflected in the financial statements for donated services. La Leche League pays for most services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist La Leche League with specific assistance programs, mother to mother support, campaign solicitations and various committee assignments. The value of these services has not been included in the financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

Note 10 – Income Taxes

La Leche League receives advertising revenues which are considered unrelated business income and are taxed on a net basis after related expenses. For the year ended March 31, 2009, a tax provision was not recorded since the taxes due were immaterial to the financial statements.

Note 11 – Unrestricted Board Designated Funds

The Board, in fiscal year ended March 31, 2009, designated \$449,130 in royalty revenue from the Lansinoh as an emergency fund. The royalty revenue is to be segregated and only to be used at the Board's discretion.

Note 12 – Line of Credit

The Organization is obligated for credit cards issued in its name. At March 31, 2009, the Organization's total available line of credit related to these credit cards is \$50,000.

Note 13 – Global Business Model

The League plays a critical role in the cohesion of the global La Leche League Community. In October 2008 the League's Board of Directors approved a business outline for moving forward. The League will focus on setting policies binding on all leaders of the community worldwide; will focus on the management of the La Leche League brand including oversight of the publishing of books and licensing and endorsement of products; will focus on the maintenance of leader recruitment, accreditation and education in multiple languages and cultural contexts; will focus on development of public information and education and the assessment and availability of medical and professional information.

The League will concentrate on the external revenue sources of donations, book royalties, brand licensing, royalties, and public book sales. The League has and will continue to pursue cost sharing arrangements with the La Leche League Global Community

Note 14 – Subsequent Events

For the year ended March 31, 2009, the League's management has evaluated subsequent events through October 6, 2009, which is the date the financial statements were available to be issued. Within this period a publishing contract (See Note 3) was signed and \$150,000 of the related royalty was received.

SUPPLEMENTARY INFORMATION

LA LECHE LEAGUE INTERNATIONAL, INC.
SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
For the Year Ended March 31, 2009 (with comparative totals for 2008)

	Program	Management and General	Fundraising	2009 Total	2008 Total
Personnel					
Salaries	\$ 554,786	\$ 147,055	\$ 106,304	\$ 808,145	\$ 746,447
Payroll taxes	33,857	11,290	7,826	52,973	51,808
Benefits	33,722	9,650	9,714	53,086	34,842
Total Salaries	622,365	167,995	123,844	914,204	833,097
Automotive	600	254	84	938	2,480
Bank fees	6,526	2,706	896	10,128	7,963
Building expenses	12,866	5,432	1,800	20,098	19,010
Charge card fees	18,741	-	3,570	22,311	35,473
Computer expense	1,792	756	251	2,799	2,794
Conference and workshop expense	1,712	-	-	1,712	212,940
Depreciation and amortization	167,109	70,557	23,378	261,044	167,253
Dues and subscriptions	13,899	187	3,264	17,350	10,911
Equipment rental, repairs and maintenance	58,931	13,479	4,466	76,876	74,938
Filing and license fees	-	50	-	50	481
General insurance	34,325	14,492	4,802	53,619	47,487
Latch On	-	-	23,272	23,272	-
Meals and lodging	67,038	20,985	6,953	94,976	562,184
Medela	19,461	-	-	19,461	10,350
Miscellaneous expense	1,372	578	192	2,142	38,095
Moving expense	-	-	-	-	3,991
Payroll service fees	2,322	980	325	3,627	3,516
Postage	118,584	7,436	8,215	134,235	155,970
Printing and copying	7,563	15	1,226	8,804	21,114
Professional services	35,774	9,779	11,254	56,807	390,784
Repairs and maintenance	90,100	38,041	12,605	140,746	71,584
Accounting fees	-	80,288	-	80,288	206,977
Legal	17,838	785	-	18,623	22,076
Promotional	7,712	-	244	7,956	10,749
Purchase expense	85,759	-	-	85,759	133,012
Supplies	12,944	3,910	1,955	18,809	13,805
Telephone	17,444	7,241	2,400	27,085	26,630
Travel and meetings	83,217	24,086	8,471	115,774	72,970
Unemployment	5,400	2,280	756	8,436	33,213
Utilities	18,318	7,734	2,563	28,615	35,627
Cost of goods sold	234,936	2,307	764	238,007	258,507
CBI expense	-	-	-	-	3,654
800 line expense	-	-	-	-	3,014
Program service expense	-	-	-	-	600
	<u>\$ 1,764,648</u>	<u>\$ 482,353</u>	<u>\$ 247,550</u>	<u>\$ 2,494,551</u>	<u>\$ 3,493,249</u>

See independent auditor's report and notes to financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.
SCHEDULE OF PROGRAM SERVICES EXPENSE
For the Year Ended March 31, 2009 (with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Publications	\$ 806,376	\$ 859,930
Leader support	112,839	127,479
Conference/exhibits	67,092	980,901
External relations and advocacy	176,026	59,051
Public relations	89,395	159,825
Customer service/order department	230,071	193,965
Workshops and seminars	63,552	177,501
Breastfeeding education	170,676	162,549
Help line	48,621	50,433
	<u>\$ 1,764,648</u>	<u>\$ 2,771,634</u>

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