

**LA LECHE LEAGUE INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**March 31, 2014 and 2013  
and for the Years 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 financial statements of La Leche League International, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, and cash flows for the years 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 audits. We conducted our audits 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 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.

### ***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, 2014 and 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***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, 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 statements 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.

*Desmond & Ahern, Ltd*

December 18, 2014  
Chicago, IL

**LA LECHE LEAGUE INTERNATIONAL, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and equivalents	\$ 175,073	\$ 136,064
Accounts receivable, net of allowance of doubtful accounts of \$36,376 and \$11,376, respectively	142,025	196,398
Royalties receivable	7,352	123,660
Inventory, net of allowance of \$130,000 at 2014	114,501	207,338
Prepaid expenses	54,949	75,392
Total current assets	<u>493,900</u>	<u>738,852</u>
Property, Office Equipment and Software		
Building and improvements	525,488	723,465
Land	15,000	15,000
Office equipment	226,997	281,854
Software	490,984	1,368,859
	<u>1,258,469</u>	<u>2,389,178</u>
Less accumulated depreciation and amortization	<u>(796,866)</u>	<u>(1,666,436)</u>
Net property and equipment	<u>461,603</u>	<u>722,742</u>
Other Assets		
Cash and equivalents -permanently restricted	10,100	10,100
<b>Total Assets</b>	<u><u>\$ 965,603</u></u>	<u><u>\$ 1,471,694</u></u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 129,411	\$ 169,897
Accrued payroll	66,942	69,556
Accrued liabilities	26,996	13,639
Total current liabilities	<u>223,349</u>	<u>253,092</u>
Net Assets		
Unrestricted		
General	578,040	920,006
Board designated	-	210,998
Total unrestricted net assets	<u>578,040</u>	<u>1,131,004</u>
Temporarily restricted	154,114	77,498
Permanently restricted	10,100	10,100
Total net assets	<u>742,254</u>	<u>1,218,602</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 965,603</u></u>	<u><u>\$ 1,471,694</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, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Publications, net of discounts and returns of \$5,152	\$ 239,712	\$ -	\$ -	\$ 239,712
Product sales	10,918	-	-	10,918
Membership dues	333,622	-	-	333,622
Royalty income	176,444	-	-	176,444
Rental income	12,720	-	-	12,720
Miscellaneous	11,722	-	-	11,722
Contributions	432,680	105,335	-	538,015
In-kind contributions	680	-	-	680
Net assets released from restrictions	28,719	(28,719)	-	-
Total Revenues	<u>1,247,217</u>	<u>76,616</u>	<u>-</u>	<u>1,323,833</u>
<b><u>Expenses</u></b>				
Supporting Services				
Management and operations	458,665	-	-	458,665
Funding and development	89,887	-	-	89,887
Total Supporting Services	<u>548,552</u>	<u>-</u>	<u>-</u>	<u>548,552</u>
Program services	<u>1,104,363</u>	<u>-</u>	<u>-</u>	<u>1,104,363</u>
Total Expenses	<u>1,652,915</u>	<u>-</u>	<u>-</u>	<u>1,652,915</u>
<b>(Decrease) Increase in Net Assets from Operations</b>	<u>(405,698)</u>	<u>76,616</u>	<u>-</u>	<u>(329,082)</u>
<b>Other Income (Expense)</b>				
Interest income	6	-	-	6
Impairment on value of building	(147,272)	-	-	(147,272)
Total Other Income (Expense)	<u>(147,266)</u>	<u>-</u>	<u>-</u>	<u>(147,266)</u>
<b>Net (Decrease) Increase in Net Assets</b>	(552,964)	76,616	-	(476,348)
<b>Net Assets</b>				
<b>Beginning of year</b>	<u>1,131,004</u>	<u>77,498</u>	<u>10,100</u>	<u>1,218,602</u>
<b>End of year</b>	<u>\$ 578,040</u>	<u>\$ 154,114</u>	<u>\$ 10,100</u>	<u>\$ 742,254</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, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Publications, net of discounts and returns of \$5,820	\$ 310,921	\$ -	\$ -	\$ 310,921
Periodicals	27,167	-	-	27,167
Product sales	14,189	-	-	14,189
Membership dues	314,542	-	-	314,542
Royalty income	217,809	-	-	217,809
Rental income	12,720	-	-	12,720
Miscellaneous	4,424	-	-	4,424
Contributions	436,175	-	-	436,175
In-kind contributions	13,788	-	-	13,788
Net assets released from restrictions	42,088	(42,088)	-	-
Total Revenues	<u>1,393,823</u>	<u>(42,088)</u>	<u>-</u>	<u>1,351,735</u>
<b><u>Expenses</u></b>				
Supporting Services				
Management and operations	321,706	-	-	321,706
Funding and development	167,683	-	-	167,683
Total Supporting Services	<u>489,389</u>	<u>-</u>	<u>-</u>	<u>489,389</u>
Program services	<u>1,173,131</u>	<u>-</u>	<u>-</u>	<u>1,173,131</u>
Total Expenses	<u>1,662,520</u>	<u>-</u>	<u>-</u>	<u>1,662,520</u>
<b>(Decrease) in Net Assets from Operations</b>	<u>(268,697)</u>	<u>(42,088)</u>	<u>-</u>	<u>(310,785)</u>
<b>Other Income</b>				
Interest income	<u>915</u>	<u>-</u>	<u>-</u>	<u>915</u>
Total Other Income	<u>915</u>	<u>-</u>	<u>-</u>	<u>915</u>
<b>Net (Decrease) in Net Assets</b>	<u>(267,782)</u>	<u>(42,088)</u>	<u>-</u>	<u>(309,870)</u>
<b>Net Assets</b>				
<b>Beginning of year</b>	<u>1,398,786</u>	<u>119,586</u>	<u>10,100</u>	<u>1,528,472</u>
<b>End of year</b>	<u>\$ 1,131,004</u>	<u>\$ 77,498</u>	<u>\$ 10,100</u>	<u>\$ 1,218,602</u>

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

**LA LECHE LEAGUE INTERNATIONAL, INC**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Activities</u></b>		
Net (decrease) in net assets	\$ (476,348)	\$ (309,870)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	119,386	176,328
Donation of stock	-	3,261
Impairment loss	147,272	-
Change in:		
Accounts receivable	170,681	(46,324)
Inventory	92,837	22,343
Prepaid expenses and deposits	20,443	(37,373)
Accrued payroll	(2,614)	69,556
Accounts payable and accrued expenses	(27,129)	43,232
Net cash provided by (used in) operating activities	<u>44,528</u>	<u>(78,847)</u>
<b><u>Investing Activities</u></b>		
Purchase of software	<u>(5,519)</u>	<u>(19,740)</u>
Net cash (used in) investing activities	<u>(5,519)</u>	<u>(19,740)</u>
<b>Net increase (decrease) in cash and equivalents</b>	39,009	(98,587)
<b>Cash and equivalents: beginning of year</b>	<u>146,164</u>	<u>244,751</u>
<b>end of year</b>	<u>\$ 185,173</u>	<u>\$ 146,164</u>
<b>As Reflected on Statements of Financial Position</b>		
Current unrestricted assets	\$ 175,073	\$ 136,064
Other assets, permanently restricted	<u>10,100</u>	<u>10,100</u>
	<u>\$ 185,173</u>	<u>\$ 146,164</u>

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



**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

Nature of Activities and Organization

La Leche League International, Inc. (LLLI) 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. 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. LLLI's services and products are provided to members and others throughout the world.

Individuals have formed various autonomous local groups which have associated with LLLI. 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 LLLI. These groups operate independently and, therefore, the activity of such groups is not presented in the financial statement of LLLI.

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

LLLI reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles in the United States (GAAP).

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.

Functional Cost Allocation

The cost of providing the 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.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

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

Investments

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

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 LLLI distributes through mail and online order sales.

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

***Leader Support*** the Leader, drawing upon experience and LLLI 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.

***Exhibits*** that promote the latest information, resources and materials for mother and health professionals.

***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 LLLI visibility and credibility.

***Public Relations*** responds to the media, organizations, educational groups, health agencies, the general public, and LLLI 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 LLLI to customers.

***Help Line*** through the use of a toll-free telephone number, LLLI will provide mothers with a reference and connection to a local support group and provide additional information as requested.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

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

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

*Board of Directors* establishes policy, governs the business and affairs of LLLI, and hires the Executive Director. The Board is comprised of no fewer than nine and no more than fourteen members from throughout the world. The Board meets twice a year and conducts business between meetings as necessary.

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

Inventory

Inventory, which primarily consists of finished books on breastfeeding, is valued on the first-in, first-out method. An allowance has been booked as of March 31, 2014 to allow for a reduction in value of the inventory (see Note 2).

Property, Office Equipment and Software

Property and equipment is recorded at historical cost. LLLI capitalizes fixed asset additions over \$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 building	40 years
Office building improvements	10 - 20 years
Office equipment	5 - 10 years
Software	5 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 of property and equipment are included in the statement of activities.

Management has determined that property and equipment with a cost of \$988,956, but fully depreciated, will not be absorbed by the Association Management Company taking over operations (see Note 2). Related to these events, there was an acceleration of depreciation expense for the year ended March 31, 2014 in the amount \$7,321. Management has also concluded that the fire alarm system and phone system, with a current net book value of \$11,738, is to remain and considered as part of the building.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

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

Property, Office Equipment and Software (cont.)

The Association Management Company is keeping for use in managing LLLI office equipment with a book value at March 31, 2014 of \$2,371, and software with a book value of \$33,231.

Contributions

Contributions are recognized when the donor makes a promise to give to LLLI 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.

LLLI reports gifts of long lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, LLLI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. LLLI did not receive any gifts of long-lived assets during the years ended March 31, 2014 and 2013.

Donated Services

Donated services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded as in-kind contributions in the Statement of Activities as both an expense and contribution. For the years ended March 31, 2014 and 2013, LLLI did not receive any donated services meeting these criteria.

LLLI pays for most services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist LLLI 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 as these services do not meet the criteria noted above.

In-Kind Contributions

In addition to receiving cash contributions, LLLI receives in-kind contributions from various donors. It is the policy of LLLI to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the years ended March 31, 2014 and 2013, LLLI received in-kind contributions valued at \$680 and \$13,788, respectively.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

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

Rental Income

A portion of the building owned by LLLI has been rented out. The commercial lease agreement expires January 31, 2015. Annual rental income is \$12,720.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as they are incurred. In 2014 and 2013, LLLI incurred \$22,139 and \$18,830, respectively, in promotional expense.

Income Taxes

LLLI is a nonprofit organization which has been granted a tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code of the United States. LLLI is required to pay Federal and State income taxes only on its net unrelated business income. For the years ended March 31, 2014 and 2013, no tax provision was deemed necessary by management.

The tax exempt purpose of LLLI and the nature in which it operates is described in the first paragraph of this note. Management's assessment is LLLI continues to operate in compliance with its tax exempt purpose and there are no uncertain tax positions. The annual information and income tax returns filed with the federal and state governments are subject to examination for the years ended March 31, 2011 through 2014.

Reclassifications

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

**Note 2 – Future Operations and Strategic Planning**

As LLLI looks forward strategically and with the intent to return to profitability, the Board of Directors have approved the following:

- At its September 2014 meeting, the Board approved the transition of LLLI to an association management company model and is considering the options for the headquarters building, including sale.
- 2014-15 expenses should be significantly reduced through 1) review of all existing contracts, 2) competitive bidding of all new contracts, and 3) repositioning of LLLI Store (see below).
- The LLLI Board has agreed to reposition the LLLI Online Store. Once current inventories are reduced, it will no longer stock books and products that were not written, produced or published by LLLI itself. This will reduce inventory costs, warehousing costs and shipping costs. Inventory reduction sales are under way. Out-of-date materials are being discarded to reduce warehousing costs.
- LLLI's 2014-15 fundraising efforts have garnered \$85,000 more in cash/pledge contributions through the first 6 months of fiscal year 2015 than in the same period of fiscal year 2014.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

**Note 2 – Future Operations and Strategic Planning (cont.)**

- The Resource Development Committee of the Board of Directors is working in conjunction with staff to upgrade their fundraising efforts. Among their efforts, they are developing plans to raise significant unrestricted gifts, as well as to greatly expand the LLLI endowment fund. The goal is to work toward a \$30 million endowment. The earnings off the endowment portfolio should then cover LLLI's annual budget. There are also plans to raise annual fund giving.
- Negotiations are underway with affiliate groups that are behind in the cost-sharing payments. The Board feels progress has been made to date and is expected to continue.

**Note 3 – Building Considerations**

LLLI owns the building and land out of which its operations were centered. At March 31, 2013 the net book value of the building, building improvements and land was approximately \$587,000. Due to conditions within the real estate market, the value of the building was evaluated a few years ago at \$500,000. The analysis was completed through the observation and confirmation of recent sales and real estate listings of buildings comparative in size and location. Because the building was purchased as a long-term investment for operations, management had determined there was no impairment adjustment to be made as of March 31, 2013.

In connection with the transition to an association management company, in the fall of 2014 the Board of Directors instructed the management company to evaluate the buildings worth and develop scenarios for the best use of the property; including a possible sale. A 'Broker Opinion of Value' was obtained from CBRE, Inc., a commercial real estate company. The value, based on a square foot allocation within the report, reflects a substantially lower value than book value. Based on the fact the building is no longer being used for operations, the Association Management Company recommended that an impairment loss of \$147,272 be recorded and reflected on the Statement of Activities for the year ended March 31, 2014.

**Note 4 – Concentration of Credit Risk in Cash**

LLLI maintains cash in certain financial institutions. No amounts exceeded the federally insured limits at March 31, 2014 and 2013.

**Note 5 – Accrued Payroll**

As of April 1, 2012, LLLI employees have agreed to a 20% reduction in their compensation and a reduced work schedule. It is understood that while compensation is reduced the employee will accrue an equal bonus amount of income lost until reduction of hours has been withdrawn and improved financial status of LLLI permits the resumption of a regular five day work week or the employee terminates or is laid off.

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

**Note 5 – Accrued Payroll (cont.)**

Beginning July 1, 2013 the board reduced the standard employee workweek from 5 days to 4 days. The reduction of days will also be reflected as a 20% reduction in compensation. Employees who deferred wages related to the original agreement effective from April 1, 2012 through June 30, 2013 are still entitled to payment upon improved financial status of LLLI.

**Note 6 – Temporarily Restricted Net Assets**

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

	<u>2014</u>	<u>2013</u>
Leader accreditation development	\$ 433	\$ 433
Cy-Prés Funds - Breastfeeding Awareness Projects	88,402	-
Executive Directory Discretionary	500	500
Editor stipends	1,400	2,417
Restricted endowment interest	-	922
LLLI Isdell - Zambia project	38,069	38,534
Medela	2,489	2,489
LLLI office/projects	18,585	28,744
800 Spanish Line	1,180	1,180
Miscellaneous restricted	3,056	2,279
	<u>\$ 154,114</u>	<u>\$ 77,498</u>

**Note 7 – Net Assets Released from Restrictions**

Net assets were released from donor restrictions during the years ended March 31, 2014 and 2013 by incurring expenses satisfying the following restricted purposes specified by donors:

	<u>2014</u>	<u>2013</u>
Cy-Prés Funds - Breastfeeding Awareness Projects	\$ 16,598	\$ -
Isdell LAD & Translations	10,159	40,000
Isdell Zambia Hospital Project	821	-
Editor Stipends	1,017	-
CBI (reference library)	124	2,088
	<u>\$ 28,719</u>	<u>\$ 42,088</u>

**Note 8 – 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, 2014 and 2013**

**Note 9 – Publication Royalty**

LLLI 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, 2013, \$525,000 was received pertaining to this agreement. During fiscal year ended March 31, 2014, an additional \$25,000 was received.

**Note 10 – Lease and Other Commitments**

LLLI 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 are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2014	\$ 5,295
2015	4,164
2016	694
	<u>\$ 10,153</u>

**Note 11 – Lines of Credit**

LLLI is obligated for credit cards issued in its name. At March 31, 2014 and 2013, LLLI's total available line of credit related to these credit cards is \$50,000, of which, \$26,809 and \$28,174 was available respectively.

A line of credit has been established for \$100,000 with American Chartered Bank maturing December 21, 2014. At March 31, 2014 and 2013 LLLI did not have any funds borrowed against the line.

**Note 12 – Global Business Model**

LLLI plays a critical role in the cohesion of the global La Leche League Community. In October 2008, LLLI's Board of Directors approved a business outline for moving forward. LLLI will focus on setting policies binding on all leaders of the community worldwide; will focus on the management of the LLLI 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.



**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

**Note 12 – Global Business Model (cont.)**

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

**Note 13 – Uniform Prudent Management of International Funds Act**

LLLI's endowment includes donor-restricted endowment funds. Net assets associated with LLLI's endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

LLLI accounts for endowment net assets by preserving the fair value of the original give as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, LLLI classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The remaining portion of -the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Illinois Uniform Prudent Management of International Funds Act.

It is the policy of LLLI to manage the endowment fund in a manner that will, at a minimum, preserve and maintain the relative stability of the principal, with income the primary objective and growth secondary. The expectation is that 100% of the investments are held in cash and cash equivalents.

Changes in net assets for the fiscal year ending March 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 46	\$ 922	\$ 10,100	\$ 11,068
Investment Return				
Investment income	-	-	-	-
Net appreciation (realized/unrealized)	-	-	-	-
	-	-	-	-
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Net assets, end of year	<u>\$ 46</u>	<u>\$ 922</u>	<u>\$ 10,100</u>	<u>\$ 11,068</u>

**LA LECHE LEAGUE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 and 2013**

**Note 13 – Uniform Prudent Management of International Funds Act (cont.)**

Changes in endowment net assets for the fiscal year ending March 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 46	\$ 626	\$ 10,100	\$ 10,772
Investment Return				
Investment income	-	296	-	296
Net appreciation (realized/unrealized)	-	-	-	-
	<u>-</u>	<u>296</u>	<u>-</u>	<u>296</u>
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 46</u>	<u>\$ 922</u>	<u>\$ 10,100</u>	<u>\$ 11,068</u>

The endowment net asset composition by type of fund at March 31, 2014 and 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 46</u>	<u>\$ 922</u>	<u>\$ 10,100</u>	<u>\$ 11,068</u>

**Note 14 – Dismissal of Lawsuit**

LLLI was a party to a lawsuit brought against it by a regional affiliated organization. The parties to the lawsuit negotiated and entered into a Settlement and Release Agreement. The Court then issued an order of dismissal on November 12, 2013.

**Note 15 – Subsequent Events**

For the years ended March 31, 2014 and 2013, LLLI's management has evaluated subsequent events through December 18, 2014 which is the date the financial statements were available to be issued.

- On October 21, 2014, LLLI executed an agreement with Bostrom, an Association Management Company.
- A Broker Opinion of Value from the real estate company CBRE, Inc. dated December 16, 2014, indicated the value of the office building had declined and an impairment loss of approximately \$147,000 was booked
- The management company is in the initial stages of evaluating the best use of the office building and establishing suggestions as sale or lease space.

**SUPPLEMENTARY INFORMATION**

**LA LECHE LEAGUE INTERNATIONAL, INC**  
**SCHEDULE OF EXPENDITURES BY FUNCTION**  
**For the Year Ended March 31, 2014 (with comparative totals for 2013)**

	Program	Management and General	Funding and Development	2014 Total	2013 Total
Personnel					
Salaries	\$ 310,782	\$ 111,075	\$ 61,026	\$ 482,883	\$ 511,161
Payroll taxes	5,737	15,962	3,242	24,941	23,416
Benefits	10,325	28,731	5,836	44,892	43,145
Total Salaries	<u>326,844</u>	<u>155,768</u>	<u>70,104</u>	<u>552,716</u>	<u>577,722</u>
Automotive	-	426	-	426	2,599
Bank fees	-	1,098	-	1,098	2,389
Building expenses	16,219	8,299	517	25,035	24,350
Charge card fees	-	8,370	-	8,370	9,841
Computer expense	-	639	-	639	-
Depreciation and amortization	77,346	39,574	2,466	119,386	176,328
Dues and subscriptions	-	-	4,355	4,355	7,407
Equipment rental, repairs and maintenance	6,021	3,080	192	9,293	8,555
Filing and license fees	-	25	-	25	142
General insurance	44,105	22,567	1,406	68,078	52,695
Latch On	2,065	-	-	2,065	2,860
Meals and lodging	13,037	6,670	416	20,123	29,626
Miscellaneous expense	2,169	26,111	69	28,349	-
Payroll service fees	-	2,850	-	2,850	3,637
Postage	31,823	16,282	1,015	49,120	60,501
Printing and copying	10,550	5,398	336	16,284	-
Professional/outside services	37,369	19,119	1,192	57,680	117,154
Repairs and maintenance	94,598	48,401	3,017	146,016	120,227
Accounting fees	-	17,055	-	17,055	25,401
Legal	60,872	31,146	1,941	93,959	86,541
Promotional	14,343	7,339	457	22,139	18,830
Purchase expense	4,363	-	-	4,363	6,856
Supplies	5,025	2,395	157	7,577	16,051
Telephone	9,189	4,701	293	14,183	17,792
Travel and meetings	41,639	21,305	1,328	64,272	56,063
Utilities	19,636	10,047	626	30,309	30,918
Cost of goods sold	287,150	-	-	287,150	208,035
	<u>\$ 1,104,363</u>	<u>\$ 458,665</u>	<u>\$ 89,887</u>	<u>\$ 1,652,915</u>	<u>\$ 1,662,520</u>

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

**LA LECHE LEAGUE INTERNATIONAL, INC**  
**SCHEDULES OF PROGRAM SERVICES EXPENSE**  
**For the Years Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Publications and periodicals	\$ 593,118	\$ 630,051
Leader support	47,155	50,090
Exhibits	79,964	84,943
External relations and advocacy	47,768	50,742
Public relations	76,921	81,711
Customer service/order department	134,899	143,300
Breastfeeding education support	81,429	86,499
Help line	43,109	45,795
	<u>\$ 1,104,363</u>	<u>\$ 1,173,131</u>

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