

LA LECHE LEAGUE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

MARCH 31, 2016

LA LECHE LEAGUE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LA LECHE LEAGUE INTERNATIONAL, INC.
35 E Wacker Drive, Suite 850
Chicago, IL 60602

We have audited the accompanying financial statements of LA LECHE LEAGUE INTERNATIONAL, INC., which comprise the statement of financial position as of March 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 organization'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 organization'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.

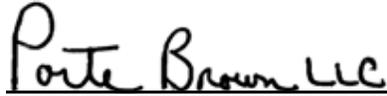
Opinion

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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited La Leche League International, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PORTE BROWN LLC
Certified Public Accountants



Elk Grove Village, Illinois
October 10, 2016

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

(with summarized information for the year ended March 31, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 463,561	\$ 269,720
Certificate of deposit	11,723	11,686
Accounts receivable	11,732	49,651
Contributions receivable	148,728	-
Inventory	9,411	28,506
Prepaid expenses	28,033	52,016
	<u>\$ 673,188</u>	<u>\$ 411,579</u>
 <u>FIXED ASSETS</u>		
Property and equipment	\$ 611,435	\$ 661,435
Less: Accumulated depreciation	(290,686)	(263,739)
	<u>\$ 320,749</u>	<u>\$ 397,696</u>
 <u>OTHER ASSETS</u>		
Contributions receivable	\$ 274,278	\$ -
Deposits	27,083	27,083
	<u>\$ 301,361</u>	<u>\$ 27,083</u>
 <u>TOTAL ASSETS</u>	<u>\$ 1,295,298</u>	<u>\$ 836,358</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 48,197	\$ 61,141
Accrued expenses	3,406	42,609
Deferred revenue	1,279	54,783
	<u>\$ 52,882</u>	<u>\$ 158,533</u>
 <u>NET ASSETS</u>		
Unrestricted	\$ 1,118,530	\$ 553,439
Temporarily restricted	112,886	113,386
Permanently restricted	11,000	11,000
	<u>\$ 1,242,416</u>	<u>\$ 677,825</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,295,298</u>	<u>\$ 836,358</u>

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

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2016

(with summarized information for the year ended March 31, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>REVENUES AND SUPPORT</u>					
Contributions	\$1,213,708	\$ 1,000	\$ -	\$1,214,708	\$ 511,744
Contributions - in-kind	6,671	-	-	6,671	10,575
Membership dues	249,066	-	-	249,066	310,751
Publications and product sales	75,702	-	-	75,702	205,782
Royalties	69,409	-	-	69,409	58,980
Investment income	20,028	-	-	20,028	721
Rental income	12,720	-	-	12,720	11,660
Other income	-	-	-	-	144
Net assets released from restrictions	1,500	(1,500)	-	-	-
Total Support and Revenue	<u>\$1,648,804</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$1,648,304</u>	<u>\$1,110,357</u>
<u>EXPENSES</u>					
Program services	\$ 416,485	\$ -	-	\$ 416,485	\$ 453,483
Management and general	436,759	-	-	436,759	608,434
Fundraising	180,469	-	-	180,469	112,869
Total Expenses	<u>\$1,033,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,033,713</u>	<u>\$1,174,786</u>
<u>CHANGE IN NET ASSETS FROM OPERATIONS</u>	<u>\$ 615,091</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 614,591</u>	<u>\$ (64,429)</u>
<u>OTHER INCOME (EXPENSE)</u>					
Impairment on value of building	\$ (50,000)	\$ -	\$ -	\$ (50,000)	\$ -
Total Other Income (Expense)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 565,091</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 564,591</u>	<u>\$ (64,429)</u>
<u>NET ASSETS</u>					
Beginning of year	<u>553,439</u>	<u>113,386</u>	<u>11,000</u>	<u>677,825</u>	<u>742,254</u>
End of year	<u>\$1,118,530</u>	<u>\$ 112,886</u>	<u>\$ 11,000</u>	<u>\$1,242,416</u>	<u>\$ 677,825</u>

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

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2016

(with summarized information for the year ended March 31, 2015)

	2016			2015	
	Program	Management and General	Fundraising	Total	
Accounting	\$ -	\$ 109,197	\$ -	\$ 109,197	\$ 45,699
Bad debts	-	3,156	-	3,156	28,893
Depreciation	-	26,947	-	26,947	45,743
Facilities	-	18,867	-	18,867	32,113
Governance	-	4,588	-	4,588	13,597
Information technology	-	5,307	-	5,307	26,740
Insurance	8,428	37,822	-	46,250	47,056
Loss on disposition of assets	-	-	-	-	11,117
Management fee	67,677	146,694	110,629	325,000	82,708
Office expenses	-	30,931	-	30,931	93,547
Meetings, programs, and services	169,695	-	69,824	239,519	133,774
Professional fees	-	22,803	-	22,803	14,647
Publications	108,015	-	-	108,015	175,623
Repairs and maintenance	-	3,044	-	3,044	67,326
Salaries and benefits	-	-	-	-	288,000
Travel	4,539	20,147	16	24,702	34,082
Unemployment compensation	-	7,256	-	7,256	-
Website	58,131	-	-	58,131	34,121
<u>TOTAL EXPENSES</u>	<u>\$ 416,485</u>	<u>\$ 436,759</u>	<u>\$ 180,469</u>	<u>\$ 1,033,713</u>	<u>\$ 1,174,786</u>

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

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

(with summarized information for the year ended March 31, 2015)

	<u>2016</u>	<u>2015</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 564,591	\$ (64,429)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,947	45,743
Loss on disposition of assets	-	11,117
Receipts of donated securities	(554,001)	
Disbursements of donated securities	573,968	
Net gains on investments	(19,967)	-
Impairment on value of building	50,000	-
Changes in:		
Accounts receivable	37,919	99,726
Contributions receivable	(423,006)	-
Inventory	19,095	85,995
Prepaid expenses	23,983	2,933
Deposits	-	(27,083)
Accounts payable	(12,944)	(68,268)
Accrued expenses	(39,203)	(51,329)
Deferred revenue	(53,504)	54,783
Net cash provided by operating activities	<u>\$ 193,878</u>	<u>\$ 89,188</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of fixed assets	\$ -	\$ 7,045
Purchase of certificate of deposit	(37)	(11,686)
Net cash used by investing activities	<u>\$ (37)</u>	<u>\$ (4,641)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 193,841</u>	<u>\$ 84,547</u>
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>269,720</u>	<u>185,173</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>\$ 463,561</u>	<u>\$ 269,720</u>
<u>SUPPLEMENTAL INFORMATION TO CASH FLOWS</u>		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	-	-
Noncash investing activities:		
Decrease in fair value of investments	-	-

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

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS

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

In accordance with the Organization's Policies and Standing Rules, individuals have formed various autonomous Groups, Areas, and Area Networks which have associated with the Organization. These entities contribute annual membership fees, and agree to conduct their affairs in accordance with the general bylaws and policies of the Organization. They operate independently and, therefore, the activity of such entities is not presented in the financial statements of the Organization.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2016, the date the financial statements were available to be issued.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2015, from which the summarized information was derived.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

RENTAL INCOME

The Organization receives rental income on a portion of the space in the building it owns and was previously used for operations. Terms of the lease provided for an annual rental income of \$12,720. The lease expired January 31, 2015 and continues on a month-to-month basis.

REVENUE RECOGNITION

In accordance with FASB ASC 958-605-25 "Not-for-Profit Entities Revenue Recognition," contributions received, including unconditional promises to give, are recognized as revenues in the period in which contribution or promise is received at their fair market values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605-25 requires not-for-profit organizations to distinguish between contributions received that increase unrestricted, temporarily restricted, and permanently restricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

DONOR IMPOSED RESTRICTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted increases to those net asset classes.

Temporarily restricted net assets were available at March 31, 2016 and 2015 for the following purposes:

	<u>2016</u>	<u>2015</u>
Leader Accreditation Development	\$ 19,018	\$ 19,018
Cy-Près – Breastfeeding Awareness Projects	50,749	50,749
Executive Director Discretionary	-	500
Editor Stipends	1,400	1,400
Isdell-Zambia Projects	38,050	38,050
Medela	2,489	2,489
800 Spanish Line	<u>1,180</u>	<u>1,180</u>
Total Temporarily Restricted Net Assets at March 31	<u>\$ 112,886</u>	<u>\$ 113,386</u>

Permanently restricted net assets consist of an endowment fund of \$11,000, with income to be used to support general operating expenses.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

DONOR IMPOSED RESTRICTIONS: (Continued)

Net assets released from restrictions during the year ended March 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Cy-Près – Breastfeeding Awareness Projects	\$ -	\$ 37,652
Isdell-Zambia Projects	-	20
Executive Director Discretionary	1,500	-
Miscellaneous Restricted	-	<u>3,056</u>
Total restrictions released	<u>\$ 1,500</u>	<u>\$ 40,728</u>

CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTED SERVICES

During the current period, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

IN-KIND DONATIONS

During the years ended March 31, 2016 and 2015, the Organization received in-kind donations of \$6,671 and \$10,575, respectively. These donations were travel expenditures paid by board members on behalf of the Organization.

FUNCTIONAL EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification.

CASH EQUIVALENTS

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CONCENTRATION OF CREDIT RISK

The Organization has cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Organization to credit risk if the banking institution fails. The Organization experienced no such losses for the years ended March 31, 2016 and 2015.

ACCOUNTS RECEIVABLE

Accounts receivable consists of royalties, dues, and other payments due to the Organization. The Organization considers accounts receivable to be fully collectible. The receivables are valued at management's estimate of the amount that will ultimately be collected.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Included in contributions receivable are the following unconditional promises to give:

	<u>2016</u>
Amounts due in:	
Less than one year	\$ 148,728
One to five years	<u>300,000</u>
Unconditional promises to give before unamortized discount	<u>\$ 448,728</u>
Less: allowance for uncollectible amounts	-
Less: unamortized discount (3%)	<u>(25,722)</u>
Net unconditional promises to give	<u>\$ 423,006</u>

INVENTORY

Inventory, which primarily consists of books on breastfeeding, is valued on a first-in, first-out method. An allowance of \$66,000 and \$57,600 has been booked as of March 31, 2016 and 2015, respectively to allow for a reduction in the value of inventory.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

PREPAID EXPENSES

Prepaid expenses consist of the following:

	<u>2016</u>	<u>2015</u>
Royalties	\$ 23,939	\$ 33,022
Payroll advance	-	12,182
Licensing and software fees	1,748	6,353
Unemployment taxes	-	459
Utility deposits	1,887	-
Dues and subscriptions	459	-
	<u>\$ 28,033</u>	<u>\$ 52,016</u>

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets. The Organization has adopted a policy to capitalize assets using a \$500 threshold.

Major classifications of property and equipment and their respective lives are summarized below:

<u>Type</u>	<u>2016</u>	<u>2015</u>	<u>Depreciable Lives in Years</u>
Building	\$ 452,728	\$ 502,728	30
Land	15,000	15,000	-
Building improvements	89,742	89,742	5-20
Office equipment and furniture	53,965	53,965	5-10
TOTAL	<u>\$ 611,435</u>	<u>\$ 661,435</u>	

The Organization owns the building and land out of which its operations were centered. In connection with its transition to an association management company, in the fall of 2014, the Organization obtained a "Broker Opinion of Value" from CBRE, Inc., a commercial real estate company. The value, based on a square foot allocation within the report, reflected a substantially lower value than book value, so an impairment loss of \$147,272 was recorded in the year ended March 31, 2014. An additional impairment loss of \$50,000 was determined necessary in the year ended March 31, 2016. Since the building was no longer being used for operations, the building and the land having a net book value of \$319,203 were put on the market for sale.

ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense for the years ended March 31, 2016 and 2015 was \$16,172 and \$30,424, respectively.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE B. INVESTMENT INCOME

Investments at March 31, 2016, are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 11,723	\$ 11,723	\$ -
	<u>\$ 11,723</u>	<u>\$ 11,723</u>	<u>\$ -</u>

Investments at March 31, 2015, are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 11,686	\$ 11,686	\$ -
	<u>\$ 11,686</u>	<u>\$ 11,686</u>	<u>\$ -</u>

Investment income includes the following for the years ended March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 61	\$ 639
Realized gain on sales of investments	19,967	131
Unrealized loss on investments	-	(49)
Total Investment Return	<u>\$ 20,028</u>	<u>\$ 721</u>

NOTE C. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair 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 the Plan 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;
- 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.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE C. FAIR VALUE MEASUREMENTS: (Continued)

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at March 31, 2016.

Money market funds: Valued at fair value based on similar instruments with comparable durations and considering the credit-worthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following details the level within the fair value hierarchy of the Organization's assets at fair value as of March 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 12,430	\$ -	\$ 12,430
Total	\$ -	\$ 12,430	\$ -	\$ 12,430

The following details the level within the fair value hierarchy of the Organization's assets at fair value as of March 31, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 12,406	\$ -	\$ 12,406
Total	\$ -	\$ 12,406	\$ -	\$ 12,406

NOTE D. INCOME TAXES

The Organization is generally exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Under current Internal Revenue Service regulations, revenue from advertising in its publication is subject to income tax. Income tax expense was \$0 for the years ended March 31, 2016 and 2015.

The Organization has adopted the provisions of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Organization files income tax returns in the U.S. federal jurisdiction. Management is not aware of any uncertain tax positions.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE E. SIGNIFICANT CONTRACTS

The Organization has entered into a management contract with Bostrom Corporation. The agreement will continue until terminated by written notice at least six months in advance. The agreement provides for a base monthly fee of \$27,083. The base fee paid to Bostrom Corporation for the year ended March 31, 2016 was \$325,000. The base fee paid to Bostrom Corporation for the year ended March 31, 2015 was \$82,708, including the \$15,000 transition fee. Additional costs are billed for staff time and miscellaneous expenses as incurred. On May 27, 2016 the Organization provided notice that it will terminate its agreement with Bostrom Corporation. The Organization intends to sign a management contract with another association management company, but the agreement has not been finalized.

The Organization has entered into a royalty agreement with LZG, Inc. to pay commissions based on a percentage of net product royalty revenues. The original agreement expired on March 31, 2011 with provisions for a decreasing royalty percentage after the expiration date. The percentage in effect for the year ended March 31, 2016 and 2015 and future periods is 20 percent.

NOTE F. ENDOWMENT

Interpretation of Relevant Law

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE F. ENDOWMENT: (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested 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.

Strategies Employed for Achieving Objectives

To satisfy its objectives, the Organization holds 100% of its endowment investments in cash or certificates of deposit.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization holds its endowment assets in a separate bank account. Any income earned is therefore segregated from other investment income. Due to the nature of the investment, any amounts earned by the principal are available for spending. In establishing this policy, the Organization considered the long-term expected return and preservation of principal on its endowment. Therefore, these funds may tend toward a more “conservative” investment strategy. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide investment return.

Endowment Net Asset Composition by Type of Fund at March 31, 2016 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Fund	\$ _____ -	\$ _____ -	\$ 11,000	\$ 11,000
Total Funds	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2016

NOTE F. ENDOWMENT: (Continued)

Changes in Endowment Net Assets for the fiscal year ending March 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 10,000	\$ 10,000
Investment return:				
Investment income	-	-	-	-
Total investment return	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	1,000	1,000
Appropriation of Endowment Assets for expenditure	-	-	-	-
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>

NOTE G. CONTINGENT LIABILITY

In the normal course of business, disputes have occurred which could potentially create additional liabilities to the Organization. In the opinion of management, these disputes will not have a material adverse effect on the Organization's financial position or results of operations.

NOTE H. MAJOR DONORS

The Organization receives a substantial amount of its contributions from two related donors. During the years ended March 31, 2016 and 2015, contributions from these donors aggregated approximately \$1,000,000 and \$250,000, respectively. At March 31, 2016, \$446,828 of contributions receivable were from these donors.