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LA LECHE LEAGUE INTERNATIONAL, INC.

Financial Statements

March 31, 2018 and 2017

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Board of Directors  
La Leche League International, Inc.  
Raleigh, North Carolina

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of La Leche League International, Inc. (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Koonce, Wooten & Haywood, LLP*

Raleigh, North Carolina  
August 23, 2018

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LA LECHE LEAGUE INTERNATIONAL, INC.  
 Statements of Financial Position  
 March 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,083,572	\$ 300,391
Accounts Receivable	30,118	232,164
Promises to Give--net	379,301	296,437
Prepaid Expenses	15,103	22,530
Certificate of Deposit		11,723
Total Current Assets	<u>1,508,094</u>	<u>863,245</u>
OTHER ASSETS:		
Investments at Fair Value	961	52,750
Promises to Give--net	401,815	
Cash Restricted for Permanent Endowment	12,000	12,000
Total Other Assets	<u>414,776</u>	<u>64,750</u>
 Total Assets	 <u>\$ 1,922,870</u>	 <u>\$ 927,995</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	\$ 19,156	\$ 7,889
Deferred Revenue		13,836
Total Current Liabilities	<u>19,156</u>	<u>21,725</u>
NET ASSETS:		
Unrestricted	662,365	779,565
Temporarily Restricted	1,229,349	114,705
Permanently Restricted	12,000	12,000
Total Net Assets	<u>1,903,714</u>	<u>906,270</u>
 Total Liabilities and Net Assets	 <u>\$ 1,922,870</u>	 <u>\$ 927,995</u>

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

STATEMENTS OF ACTIVITIES

LA LECHE LEAGUE INTERNATIONAL, INC.  
 Statements of Activities  
 For the Years Ended March 31, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>CHANGES IN NET ASSETS:</b>			
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 229,488	\$ 1,168,652	\$
Membership Dues--Area Networks	225,686		
Royalties and Advertising	46,812		
Meetings and Special Events	42,997		
Publications and Product Sales	14,873		
Net Investment Income	12,368		
Other Income	101		
Loss on Sale of Property and Equipment			
Subtotal	<u>572,325</u>	<u>1,168,652</u>	
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>54,008</u>	<u>(54,008)</u>	
Total Revenue and Support	<u>626,333</u>	<u>1,114,644</u>	
<b>EXPENSES:</b>			
<b>Program Services:</b>			
Governance of International Entities	260,281		
Breastfeeding Support and Education for Parents	154,175		
Leader Accreditation and Continuing Education	125,039		
Total Program Services	<u>539,495</u>		
<b>Support Services:</b>			
Management and General	80,047		
Development	123,991		
Total Support Services	<u>204,038</u>		
Total Expenses	<u>743,533</u>		
CHANGES IN NET ASSETS	(117,200)	1,114,644	
NET ASSETS--Beginning of Year	<u>779,565</u>	<u>114,705</u>	<u>12,000</u>
NET ASSETS--End of Year	<u>\$ 662,365</u>	<u>\$ 1,229,349</u>	<u>\$ 12,000</u>

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

2017				
Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,398,140	\$ 287,501	\$ 3,000	\$ 1,000	\$ 291,501
225,686	224,711			224,711
46,812	36,917			36,917
42,997	44,003			44,003
14,873	26,009			26,009
12,368	2,026			2,026
101	10,621			10,621
	(33,247)			(33,247)
<u>1,740,977</u>	<u>598,541</u>	<u>3,000</u>	<u>1,000</u>	<u>602,541</u>
	1,181	(1,181)		
<u>1,740,977</u>	<u>599,722</u>	<u>1,819</u>	<u>1,000</u>	<u>602,541</u>
260,281	236,939			236,939
154,175	180,777			180,777
125,039	216,349			216,349
<u>539,495</u>	<u>634,065</u>			<u>634,065</u>
80,047	163,960			163,960
123,991	140,663			140,663
<u>204,038</u>	<u>304,623</u>			<u>304,623</u>
<u>743,533</u>	<u>938,688</u>			<u>938,688</u>
997,444	(338,966)	1,819	1,000	(336,147)
<u>906,270</u>	<u>1,118,531</u>	<u>112,886</u>	<u>11,000</u>	<u>1,242,417</u>
<u>\$ 1,903,714</u>	<u>\$ 779,565</u>	<u>\$ 114,705</u>	<u>\$ 12,000</u>	<u>\$ 906,270</u>

STATEMENT OF FUNCTIONAL EXPENSES (2018)



LA LECHE LEAGUE INTERNATIONAL, INC.  
Statement of Functional Expenses  
For the Year Ended March 31, 2018

	Program Services		
	Governance of International Entities	Breastfeeding Support and Education for Parents	Leader Accreditation and Continuing Education
Management Fees	\$ 189,252	\$ 63,630	\$ 94,837
Professional and Contract Services	4,179	34,163	13,624
Information Technology and Website	5,046	19,559	2,529
Insurance	40,356		
Taxes, Licenses, and Other Fees		17,245	
Direct Mail Campaign			
Travel	15,914		2,914
Product and Publication Cost		15,638	
Meeting and Special Event Expenses	4,421		10,247
Printing and Postage	87	281	202
Bank and Merchant Fees		2,629	
Office Supplies and Expense	1,026	1,030	686
<b>Total Expenses</b>	<b>\$ 260,281</b>	<b>\$ 154,175</b>	<b>\$ 125,039</b>

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

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Support Services

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Total Program Services	Management and General	Development	Total Support Services	Total Expenses
\$ 347,719	\$ 51,003	\$ 51,278	\$ 102,281	\$ 450,000
51,966	15,000	9,625	24,625	76,591
27,134	1,360	20,835	22,195	49,329
40,356				40,356
17,245	10,307	9,128	19,435	36,680
		24,911	24,911	24,911
18,828				18,828
15,638				15,638
14,668				14,668
570	939	4,595	5,534	6,104
2,629	837	2,629	3,466	6,095
2,742	601	990	1,591	4,333
\$ 539,495	\$ 80,047	\$ 123,991	\$ 204,038	\$ 743,533

STATEMENT OF FUNCTIONAL EXPENSES (2017)

LA LECHE LEAGUE INTERNATIONAL, INC.  
Statement of Functional Expenses  
For the Year Ended March 31, 2017

	Program Services		
	Governance of International Entities	Breastfeeding Support and Education for Parents	Leader Accreditation and Continuing Education
Management Fees	\$ 145,980	\$ 93,032	\$ 102,464
Professional and Contract Services	16,561	46,085	8,432
Information Technology and Website	799	14,548	
Insurance	39,945		
Taxes, Licenses, and Other Fees	2,982		
Direct Mail Campaign			
Travel	25,827		
Product and Publication Cost		23,824	
Meeting and Special Event Expenses	4,344		105,287
Printing and Postage			
Bank and Merchant Fees		2,047	
Office Supplies and Expense	501	1,241	166
	\$ 236,939	\$ 180,777	\$ 216,349
Total Expenses	\$ 236,939	\$ 180,777	\$ 216,349

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

Support Services

Total Program Services	Management and General	Development	Total Support Services	Total Expenses
\$ 341,476	\$ 127,013	\$ 87,272	\$ 214,285	\$ 555,761
71,078	16,634	24,857	41,491	112,569
15,347		6,681	6,681	22,028
39,945				39,945
2,982		9,300	9,300	12,282
		6,684	6,684	6,684
25,827	1,034		1,034	26,861
23,824				23,824
109,631				109,631
	2,394	3,431	5,825	5,825
2,047	981	2,047	3,028	5,075
1,908	15,904	391	16,295	18,203
\$ 634,065	\$ 163,960	\$ 140,663	\$ 304,623	\$ 938,688

LA LECHE LEAGUE INTERNATIONAL, INC.  
 Statements of Cash Flows  
 For the Years Ended March 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ 997,444	\$ (336,147)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Donated Investments	(687,131)	(51,547)
Realized Gain on Sale of Investments	(9,018)	(113)
Unrealized Holding (Gain) Loss on Investments	340	(182)
Loss on Disposal of Property and Equipment		33,247
Adjustment of Discount on Promises to Give	31,348	(25,722)
Increase in Inventory Allowance		6,022
Contributions Restricted to Permanent Endowment		(1,000)
Changes in Assets and Liabilities:		
Accounts Receivable	202,046	(220,432)
Promises to Give	(516,027)	152,291
Prepaid Expenses	7,427	32,586
Certificate of Deposit	11,723	
Inventory		3,389
Accounts Payable	11,267	(43,713)
Deferred Revenue	(13,836)	12,557
Net Cash Provided (Used) by Operating Activities	35,583	(438,764)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	748,365	
Purchases of Investments	(767)	(908)
Proceeds from Disposal of Property and Equipment		287,502
Net Cash Provided by Investing Activities	747,598	286,594
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions Restricted to Permanent Endowment		1,000
Net Cash Provided by Financing Activities		1,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	783,181	(151,170)
<b>CASH AND CASH EQUIVALENTS--Beginning of Year</b>	312,391	463,561
<b>CASH AND CASH EQUIVALENTS--End of Year</b>	\$ 1,095,572	\$ 312,391
<b>SUMMARY OF CASH AND CASH EQUIVALENTS:</b>		
Cash and Cash Equivalents	\$ 1,083,572	\$ 300,391
Cash Restricted for Permanent Endowment	12,000	12,000
	\$ 1,095,572	\$ 312,391

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

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies

A. Organization and Purpose:

La Leche League International, Inc. (Organization), a not-for-profit, nonsectarian membership organization, was formed in 1956 and organized in 1958 for the purpose of offering encouragement, information, and support to women who choose to breastfeed their babies and, in doing so, 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 contributions, membership (network) dues, and publication and product sales. 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* that are associated with the Organization. These entities contribute annual membership or network fees and agree to conduct their activities in accordance with the Organization's general bylaws and policies. Since the entities operate independently, their activities have not been included in these financial statements.

B. Basis of Presentation:

The accompanying financial statements have, in all material respects, been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. Net assets and support, revenues, expenses, gains, and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to externally imposed restrictions. Certain net assets classified as unrestricted may, from time-to-time, be designated for specific purposes or uses under various internal operating budgets or for board-designated purposes.

Temporarily Restricted Net Assets--Net assets subject to externally imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to externally imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes.

C. Program Services:

Governance of International Entities

The Organization works with volunteers globally to maintain resources and structure to support La Leche League (LLL) Leader accreditation and provide breastfeeding support and education for parents locally.

Breastfeeding Support and Education for Parents

The Organization provides breastfeeding support and education for parents through its books, quarterly online publications, social media, website, and online events.

Leader Accreditation and Continuing Education

The Organization promotes worldwide standards that enable LLL Leaders to provide mother-to-mother breastfeeding support locally. Accreditation is attained and maintained through reading, observing meetings, attending workshops, keeping up-to-date on the latest research, learning effective communication skills, and practicing addressing questions and handling challenging situations.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies (Continued)

D. Restricted and Unrestricted Support:

Contributions of cash and other assets are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any externally imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Contributions designated by the donor as endowment are classified as permanently restricted in perpetuity unless the donor has provided an endowment for a term of years. Investment return on endowments is used only for the purpose specified by the donor in making the contribution for endowment.

E. Cash Equivalents:

For financial statement purposes, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

F. Accounts Receivable:

Accounts receivable as of March 31, 2018 and 2017 relate principally to amounts due to the Organization for area network fees as well as amounts due under royalty agreements. All accounts receivable are expected to be collected within one year. The Organization periodically evaluates the balances in the various aging categories as well as the status of any significant past due accounts to determine if any balances are uncollectible. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against earnings. The use of the direct write-off method differs from U.S. generally accepted accounting principles, which require that the allowance method be used; however, this difference is not considered to be material.

G. Promises to Give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. All unconditional promises to give 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 a specific purpose are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Unconditional promises to give that are due in more than a year are recorded at the present value of their estimated future cash flows. Amortization of the discount is included in contribution revenue.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met.

H. Investments:

Investments are reported at fair value, which is based on quoted market prices when available. Realized gains and losses are determined using the specific identification method.



LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies (Concluded)

I. Deferred Revenue:

During the year ended March 31, 2017, the Organization collected conference registration fees for an event that was held subsequent to year-end. As such, the fees collected were recorded as deferred revenue and then recognized as revenue during the year ended March 31, 2018.

J. Donated Services:

Organization members and directors donate significant time by serving on various committees and boards. No amounts have been reflected in these financial statements for volunteered time since the services performed do not meet the requirements for recognition in the financial statements.

K. Functional Allocation of Expenses:

The costs of providing the various programs and support services of the Organization have been summarized on a functional basis in the statement of functional expenses. Management and general expenses include administrative expenses that are not directly identifiable with any specific program but provide support for the Organization's overall operations. Certain costs have been allocated among the programs and support services benefited on the basis of time records and estimates made by management.

L. Accounting Estimates:

The preparation of financial statements in conformity with U.S. 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. Significant estimates and assumptions are used for, but not limited to, the fair value of investments, discount to net present value for promises to give, and the allocation of costs by function.

M. Income Taxes:

The Organization is exempt from Federal and state income taxes and is classified as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contributions deduction and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization's primary activity subject to taxation is advertising revenue. Income tax expense related to unrelated business income was \$0 for each of the years ended March 31, 2018 and 2017, respectively. At March 31, 2018, the Organization has available a Federal net operating loss carryforward of approximately \$37,600 to offset future taxable income.

It is the Organization's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position are recognized in the period the change occurs.

The Organization files its Form 990 series tax returns in the U.S. Federal jurisdiction and with several state departments of revenue. These returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines. In addition, the Organization's state tax returns for the same years are subject to examination by state tax authorities for similar time periods.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

2. Promises to Give

Promises to give at March 31, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
Promises from Individuals and Others	\$ 812,464	\$ 296,437
Less: Unamortized Discount	(31,348)	—
	<u>781,116</u>	<u>296,437</u>
Current Portion	(379,301)	(296,437)
Amounts Due After One Year	<u>\$ 401,815</u>	<u>\$ —</u>
Amounts Due in:		
Less than one year	\$ 379,301	\$ 296,437
One to five years	<u>401,815</u>	<u>—</u>
Total Promises to Give--Net	<u>\$ 781,116</u>	<u>\$ 296,437</u>

Promises to give at March 31, 2018 are reflected at the present value of the estimated future cash flows using a discount rate of 2.65%.

3. Investments

Investments are stated at fair value and consisted of the following at March 31, 2018 and 2017:

	<u>Fair Value</u>	<u>Historical Cost</u>
<u>March 31, 2018</u>		
Equity Securities	\$ <u>961</u>	\$ <u>1,119</u>
<u>March 31, 2017</u>		
Mutual Funds	\$ 51,683	\$ 51,449
Equity Securities	<u>1,067</u>	<u>1,119</u>
	<u>\$ 52,750</u>	<u>\$ 52,568</u>

Net investment income for the years ended March 31, 2018 and 2017, including interest earned on cash and cash equivalents, consisted of the following:

	<u>2018</u>	<u>2017</u>
Dividends and Interest	\$ 3,690	\$ 1,731
Realized Gain on Sale of Investments	9,018	113
Change in Unrealized Holding Gains (Losses)	<u>(340)</u>	<u>182</u>
Net Investment Income	<u>\$ 12,368</u>	<u>\$ 2,026</u>

4. Fair Value Measurements

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, as amended, with respect to fair value measurements of its financial assets and financial liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

4. Fair Value Measurements (Continued)

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for the Organization's assets measured at fair value in the accompanying financial statements. There have been no changes in the methodologies used during the years ended March 31, 2018 or 2017.

- ***Equity Securities***  
Investments in equity securities include shares of publicly traded common stocks. Closing stock prices are readily available from active markets and are considered to be representative of fair value. These investments have been classified within Level 1 of the valuation hierarchy.
- ***Mutual Funds (Shares of Registered Investment Companies)***  
Shares of registered investment companies (mutual funds) are valued at quoted market prices in active markets. These investments have been classified within Level 1 of the valuation hierarchy.

The preceding methods may produce a fair value calculation that may not be indicative of 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.

In accordance with ASC 820, the table below includes the major categorization for investments on the basis of the nature and risk of the investments at March 31, 2018 and 2017:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
	<u>3/31/2018</u>	<u>in Active</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>Assets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	<u>3/31/2018</u>	<u>(Level 1)</u>		
Equity Securities	\$ 961	\$ 961	\$	\$
Total Assets Reported at Fair Value	<u>\$ 961</u>	<u>\$ 961</u>	<u>\$</u>	<u>\$</u>
	<u>3/31/2017</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual Funds	\$ 51,683	\$ 51,683	\$	\$
Equity Securities	1,067	1,067		
Total Assets Reported at Fair Value	<u>\$ 52,750</u>	<u>\$ 52,750</u>	<u>\$</u>	<u>\$</u>

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2018 and 2017

5. Unrestricted Net Assets

The Organization has designated certain unrestricted net assets for specific purposes or uses. Unrestricted net assets consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Unrestricted and Undesignated	\$ 662,365	\$ 642,063
Board-Designated-Reserve from Sale of Property and Equipment		<u>137,502</u>
	<u>\$ 662,365</u>	<u>\$ 779,565</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at March 31:

	<u>2018</u>	<u>2017</u>
Time and Purpose Restricted for years April 1, 2018 through March 31, 2021:		
Publications	\$ 131,000	\$
Leader Accreditation Materials	70,000	
Board/Direct Connect Entity Leaders Summit	35,000	
Webinar Development	10,000	
Management Fees	<u>954,000</u>	
Subtotal	1,200,000	
Time Value Discount	<u>(31,348)</u>	
	<u>1,168,652</u>	
Purpose Restricted (Other):		
Cy-Pres - Breastfeeding Awareness Projects	50,749	50,749
Leader Accreditation Development	5,550	19,018
General	1,818	1,818
Editor Stipends	1,400	1,400
800 Spanish Line	1,180	1,180
Isdell-Zambia Projects		38,050
Medela		<u>2,490</u>
	<u>60,697</u>	<u>114,705</u>
Total	<u>\$ 1,229,349</u>	<u>\$ 114,705</u>

7. Permanently Restricted Net Assets

Permanently restricted net assets consist of an endowment fund totaling \$12,000 at March 31, 2018 and 2017. Income earned is available to support the Organization's general operations.

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8. Endowment Fund

The Organization's endowment fund provides long-term program support through annual earnings. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was enacted by law in 2009 in both the State of Illinois and the State of North Carolina, as applying to the Organization's endowment funds existing on or established after the date enacted. Absent donor stipulations to the contrary, the provisions of UPMIFA do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

For the years ended March 31, 2018 and 2017, the Organization has classified as permanently restricted net assets the original value of gifts donated to the permanent endowment. Gains and losses will be classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards of prudence described in UPMIFA.

*Funds with Deficiencies*

From time-to-time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at March 31, 2017 or 2018.

*Policy for Investment of Endowment Funds and Investment Return Objectives and Strategies*

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. Under this policy, as approved by the governing board, the endowment assets will be 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. Currently, the Organization's endowment net assets are maintained in an interest-bearing bank account, with the principal and income separately tracked within the Organization's accounting system.

*Policy for Appropriation from Endowment Funds*

The policy of the Organization, in accordance with UPMIFA, is to appropriate for expenditure so much of the endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established by the donor or donors. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

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8. Endowment Fund (Continued)

Changes in endowment net assets for the years ended March 31, 2018 and 2017 were as follows:

Endowment Net Assets--April 1, 2017	\$ 11,000
Contributions during the year ended March 31, 2017	1,000
Endowment Net Assets--March 31, 2017	12,000
Contributions during the year ended March 31, 2018	12,000
Endowment Net Assets--March 31, 2018	\$ 24,000

9. Concentrations

*Cash Balances*

The Organization maintains several interest-bearing accounts in a financial institution located in Raleigh, North Carolina. Balances in these accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2018, the Organization's cash balance in these accounts exceeded the FDIC limit by approximately \$469,000. At March 31, 2017, the Organization's cash balances in these accounts were fully insured. The Organization's certificate of deposit held by a financial institution in Chicago, Illinois was also fully insured at March 31, 2017.

*Investments*

The Organization's investments in marketable securities are insured against certain acts through coverage provided by the Securities Investor Protection Corporation. Investment securities, in general, are exposed to various risks such as interest rate risk, credit risk, foreign currency risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

*Major Donors*

During the year ended March 31, 2018, approximately 84% of the contributions reported by the Organization were received from two donors; promises to give at March 31, 2018 and 2017 were receivable from these same two donors. During the year ended March 31, 2017, approximately 19% of the contributions reported by the Organization were received from a single donor who also served on the Organization's board of directors.

10. Commitments

The Organization utilizes the services of an independent company, IMI Association Executives Inc. (IMI), for the management of its activities. The management company invoices the Organization for management fees, travel, office, and other expenses that it incurs on the Organization's behalf. Management fees paid to IMI under this contract totaled \$450,000 and \$303,500 for the years ended March 31, 2018 and 2017, respectively. The Organization's current contract with IMI covers the period from April 1, 2018 through March 31, 2019 and provides for annual compensation of \$450,000. During the year ended March 31, 2017, additional management contract fees totaling approximately \$252,300 were paid to the Organization's former management company. That amount included amounts charged for basic management services plus additional staff support charges.

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11. Recently Issued Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance will require entities to show the change in total cash and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and restricted cash in the statement of cash flows. The new guidance will require a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. Entities will also have to disclose the nature of their restricted cash balances. For the Organization, this standard is effective for the fiscal year beginning in April 2019. Early adoption is permitted.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, amending ASC 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit (NFP) entities. The update also changes the way that NFP entities classify net assets. The new guidance is effective for the Organization for the fiscal year beginning on April 1, 2018.

12. Subsequent Events

The Organization evaluated its March 31, 2018 financial statements for subsequent events through August 23, 2018, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

13. Reclassifications

Certain amounts for 2017 have been reclassified to conform to the 2018 financial statement presentation. Such reclassifications have no effect on the changes in net assets or cash flows as previously reported.