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LA LECHE LEAGUE INTERNATIONAL, INC.

Financial Statements

March 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

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***Effect of Adopting New Accounting Standard***

As disclosed in Note 2 to the accompanying financial statements, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended March 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*Koonce, Wooten + Haywood, LLP*

Raleigh, North Carolina  
August 1, 2019

LA LECHE LEAGUE INTERNATIONAL, INC.  
 Statements of Financial Position  
 March 31, 2019 and 2018

	2019	2018
<b>ASSETS:</b>		
Cash and Cash Equivalents:		
Demand Deposits	\$ 458,981	\$ 1,083,459
Certificates of Deposit	300,371	
Money Market Mutual Fund	405,051	113
Cash Restricted for Permanent Endowment	12,000	12,000
Accounts Receivable	9,378	30,118
Prepaid Expenses	24,610	15,103
Promises to Give--net:		
Due in less than one year	402,153	379,301
Due in one to five years		401,815
Investments at Fair Value	1,033	961
	<u>\$ 1,613,577</u>	<u>\$ 1,922,870</u>
Total Assets		
	<u>\$ 1,613,577</u>	<u>\$ 1,922,870</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ <u>21,915</u>	\$ <u>19,156</u>
<b>NET ASSETS:</b>		
Net Assets Without Donor Restrictions	763,353	662,365
Net Assets With Donor Restrictions	828,309	1,241,349
Total Net Assets	<u>1,591,662</u>	<u>1,903,714</u>
Total Liabilities and Net Assets	<u>\$ 1,613,577</u>	<u>\$ 1,922,870</u>
	<u>\$ 1,613,577</u>	<u>\$ 1,922,870</u>

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

LA LECHE LEAGUE INTERNATIONAL, INC.  
Statements of Activities  
For the Years Ended March 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS:						
SUPPORT AND REVENUE:						
Cost Sharing Fees--Area Networks	\$ 219,490	\$	\$ 219,490	\$ 225,686	\$	\$ 225,686
Contributions	179,195	20,700	199,895	229,488	1,168,652	1,398,140
Royalties, Advertising, and Other	19,149		19,149	46,913		46,913
Meetings and Special Events	7,833		7,833	42,997		42,997
Publications and Product Sales	624		624	14,873		14,873
Net Investment Income	9,117		9,117	12,368		12,368
Subtotal	<u>435,408</u>	<u>20,700</u>	<u>456,108</u>	<u>572,325</u>	<u>1,168,652</u>	<u>1,740,977</u>
Net Assets Released from Restrictions						
Satisfaction of Timing and Purpose Restrictions	<u>433,740</u>	<u>(433,740)</u>		<u>54,008</u>	<u>(54,008)</u>	
Total Revenue and Support	<u>869,148</u>	<u>(413,040)</u>	<u>456,108</u>	<u>626,333</u>	<u>1,114,644</u>	<u>1,740,977</u>
EXPENSES:						
Program Services:						
Governance of International Entities	320,795		320,795	260,281		260,281
Leader Accreditation and Continuing Education	132,717		132,717	125,039		125,039
Breastfeeding Support and Education for Parents	107,367		107,367	154,175		154,175
Total Program Services	<u>560,879</u>		<u>560,879</u>	<u>539,495</u>		<u>539,495</u>
Support Services:						
Management and General	82,588		82,588	80,047		80,047
Fundraising and Development	124,693		124,693	123,991		123,991
Total Support Services	<u>207,281</u>		<u>207,281</u>	<u>204,038</u>		<u>204,038</u>
Total Expenses	<u>768,160</u>		<u>768,160</u>	<u>743,533</u>		<u>743,533</u>
CHANGES IN NET ASSETS	100,988	(413,040)	(312,052)	(117,200)	1,114,644	997,444
NET ASSETS--Beginning of Year	<u>662,365</u>	<u>1,241,349</u>	<u>1,903,714</u>	<u>779,565</u>	<u>126,705</u>	<u>906,270</u>
NET ASSETS--End of Year	<u>\$ 763,353</u>	<u>\$ 828,309</u>	<u>\$ 1,591,662</u>	<u>\$ 662,365</u>	<u>\$ 1,241,349</u>	<u>\$ 1,903,714</u>

The accompanying notes are an integral part of the financial statements

LA LECHE LEAGUE INTERNATIONAL, INC.  
Statement of Functional Expenses  
For the Year Ended March 31, 2019

	Program Services				Support Services			Total Expenses
	Governance of International Entities	Leader Accreditation and Continuing Education	Breastfeeding Support and Education for Parents	Total Program Services	Management and General	Fundraising and Development	Total Support Services	
Management Fees	\$ 151,200	\$ 117,000	\$ 34,200	\$ 302,400	\$ 63,900	\$ 83,700	\$ 147,600	\$ 450,000
Professional and Contract Services	8,142	14,714	51,541	74,397	16,042	5,950	21,992	96,389
Meeting Expenses: Global Leadership Summit	90,613			90,613				90,613
Travel	35,050			35,050				35,050
Insurance	33,359			33,359				33,359
Information Technology and Website			18,412	18,412		9,168	9,168	27,580
Direct Mail Campaign						14,745	14,745	14,745
Office Supplies and Expense	2,431	1,003	1,003	4,437	1,003	1,003	2,006	6,443
Taxes, Licenses, and Other Fees			1,000	1,000		5,276	5,276	6,276
Printing and Postage					844	3,640	4,484	4,484
Bank and Merchant Fees			1,211	1,211	799	1,211	2,010	3,221
Total Expenses	<u>\$ 320,795</u>	<u>\$ 132,717</u>	<u>\$ 107,367</u>	<u>\$ 560,879</u>	<u>\$ 82,588</u>	<u>\$ 124,693</u>	<u>\$ 207,281</u>	<u>\$ 768,160</u>

The accompanying notes are an integral part of the financial statements

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

	Program Services				Support Services			Total Expenses
	Governance of International Entities	Leader Accreditation and Continuing Education	Breastfeeding Support and Education for Parents	Total Program Services	Management and General	Fundraising and Development	Total Support Services	
Management Fees	\$ 189,252	\$ 94,837	\$ 63,630	\$ 347,719	\$ 51,003	\$ 51,278	\$ 102,281	\$ 450,000
Professional and Contract Services	4,179	13,624	34,163	51,966	15,000	9,625	24,625	76,591
Meetings and Conference Expenses	4,421	10,247		14,668				14,668
Travel	15,914	2,914		18,828				18,828
Insurance	40,356			40,356				40,356
Information Technology and Website	5,046	2,529	19,559	27,134	1,360	20,835	22,195	49,329
Direct Mail Campaign						24,911	24,911	24,911
Office Supplies and Expense	1,026	686	1,030	2,742	601	990	1,591	4,333
Taxes, Licenses, and Other Fees			17,245	17,245	10,307	9,128	19,435	36,680
Printing and Postage	87	202	281	570	939	4,595	5,534	6,104
Bank and Merchant Fees			2,629	2,629	837	2,629	3,466	6,095
Product and Publication Costs			15,638	15,638				15,638
Total Expenses	<u>\$ 260,281</u>	<u>\$ 125,039</u>	<u>\$ 154,175</u>	<u>\$ 539,495</u>	<u>\$ 80,047</u>	<u>\$ 123,991</u>	<u>\$ 204,038</u>	<u>\$ 743,533</u>

The accompanying notes are an integral part of the financial statements



LA LECHE LEAGUE INTERNATIONAL, INC.  
 Statements of Cash Flows  
 For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ (312,052)	\$ 997,444
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Donated Investments	(399,663)	(687,131)
Realized Gain on Sale of Investments	(3,365)	(9,018)
Unrealized Holding (Gain) Loss on Investments	(72)	340
Adjustment of Discount on Promises to Give	(20,700)	31,348
Changes in Assets and Liabilities:		
Accounts Receivable	20,740	202,046
Promises to Give	399,663	(516,027)
Prepaid Expenses	(9,507)	7,427
Accounts Payable	2,759	11,267
Deferred Revenue		<u>(13,836)</u>
Net Cash Provided (Used) by Operating Activities	<u>(322,197)</u>	<u>23,860</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Investments	403,028	748,365
Purchases of Investments		<u>(767)</u>
Net Cash Provided by Investing Activities	<u>403,028</u>	<u>747,598</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	80,831	771,458
<b>CASH AND CASH EQUIVALENTS--Beginning of Year</b>	<u>1,095,572</u>	<u>324,114</u>
<b>CASH AND CASH EQUIVALENTS--End of Year</b>	<u>\$ 1,176,403</u>	<u>\$ 1,095,572</u>
<b>SUMMARY OF CASH AND CASH EQUIVALENTS:</b>		
Demand Deposits and Money Market Mutual Fund Certificates of Deposit	\$ 864,032	\$ 1,083,572
Cash Restricted for Permanent Endowment	300,371	
	12,000	12,000
	<u>\$ 1,176,403</u>	<u>\$ 1,095,572</u>

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

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

1. Organization and Nature of Activities

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. Program Services:

The Organization's major programs and activities are summarized below:

*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.

*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.

*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.

2. Summary of Significant Accounting Policies

A. 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 (U.S. GAAP).

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

B. Adoption of New Accounting Pronouncement:

For the year ended March 31, 2019, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A key change required by ASU 2016-14 affects net asset classes wherein amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The changes required by the update have been applied retrospectively to all periods presented.

C. Net Assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated that certain amounts be reserved for future operating needs.

Net Assets With Donor Restrictions--Net assets subject to donor-imposed restrictions. Currently, the Organization's net assets with donor-imposed restrictions include those that are both temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, as well as those with restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

D. Contributions and Donor-Imposed Restrictions:

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are restricted by the donor for specific purposes or for permanent endowment are reported as contributions with donor restrictions that increase that net asset class. When donor restrictions expire, that is, when a stipulated time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Unless a donor has provided for an endowment for a term of years, such contributions are treated as restricted in perpetuity with investment returns to be used only for the purpose specified by the donor.

E. Cash and Cash Equivalents:

For financial statement purposes, the Organization includes the following in the caption *Cash and Cash Equivalents*: demand deposits, certificates of deposit, and money market mutual funds. There were three certificates of deposit at March 31, 2019, with original maturity dates of six months or less. Money market mutual funds at March 31, 2019 and 2018 were held in a government money market fund that primarily invests in cash, U.S. government securities, and/or fully-collateralized repurchase agreements.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

F. Accounts Receivable:

Accounts receivable as of March 31, 2019 relate principally to amounts due under royalty agreements. Accounts receivable as of March 31, 2018 relate principally to amounts due 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 net assets with donor 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.

H. Investments:

Investments are initially reported at cost if purchased or, if donated, at the fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income or loss is reported in the statements of activities and consists of interest and dividend income plus realized and unrealized gains and losses less external investment management expenses.

I. 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.

J. Functional Allocation of Expenses:

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. The statements of functional expenses for 2019 and 2018 present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. Directly identifiable expenses are charged to programs and support services. Expenses attributable to more than one function are generally allocated based on time and effort as tracked by the Organization. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Concluded)

K. Accounting Estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 discount to net present value for promises to give and the allocation of functional expenses.

L. Income Taxes:

The Organization is exempt from Federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). 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, 2019 and 2018. At March 31, 2019, 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's 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.

3. Promises to Give

Promises to give at March 31, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Promises from Individuals and Others	\$ 412,801	\$ 812,464
Less: Unamortized Discount	<u>(10,648)</u>	<u>(31,348)</u>
	402,153	781,116
Current Portion	<u>(402,153)</u>	<u>(379,301)</u>
Amounts Due After One Year	<u>\$</u>	<u>\$ 401,815</u>
Amounts Due in:		
Less than one year	\$ 402,153	\$ 379,301
One to five years		<u>401,815</u>
Total Promises to Give--Net	<u>\$ 402,153</u>	<u>\$ 781,116</u>

Promises to give at March 31, 2019 and 2018 are reflected at the present value of the estimated future cash flows using a discount rate of 2.65%.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

4. Investments

The Organization's investments are stated at fair value and consisted of the following at March 31:

	<u>2019</u>	<u>2018</u>
Aggregate Cost	\$ 1,119	\$ 1,119
Unrealized Holding Loss	<u>(86)</u>	<u>(158)</u>
Fair Value	<u>\$ 1,033</u>	<u>\$ 961</u>

Net investment income for the years ended March 31, 2019 and 2018, including interest earned on cash and cash equivalents, consisted of the following:

	<u>2019</u>	<u>2018</u>
Dividends and Interest	\$ 5,680	\$ 3,690
Realized Gain on Sale of Investments	3,365	9,018
Change in Unrealized Holding Gains (Losses)	<u>72</u>	<u>(340)</u>
Net Investment Income	<u>\$ 9,117</u>	<u>\$ 12,368</u>

5. Fair Value Measurements

The Organization follows the FASB's 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.

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 at March 31, 2019 or 2018.

- ***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.

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.

LA LECHE LEAGUE INTERNATIONAL, INC.  
Notes to Financial Statements  
March 31, 2019 and 2018

5. Fair Value Measurements (Continued)

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, 2019 and 2018:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
		<u>in Active</u>	<u>Other</u>	<u>Significant</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Unobservable</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>Assets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	<u>3/31/2019</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equity Securities	\$ <u>1,033</u>	\$ <u>1,033</u>	\$ _____	\$ _____
Total Assets Reported at Fair Value	\$ <u>1,033</u>	\$ <u>1,033</u>	\$ _____	\$ _____
	<u>3/31/2018</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equity Securities	\$ <u>961</u>	\$ <u>961</u>	\$ _____	\$ _____
Total Assets Reported at Fair Value	\$ <u>961</u>	\$ <u>961</u>	\$ _____	\$ _____

6. 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, 2019, the Organization's combined balance in these accounts exceeded the FDIC limit by approximately \$248,000. At March 31, 2018, the Organization's combined balance in these accounts exceeded the FDIC limit by approximately \$469,000. During the year ended March 31, 2019, the Organization began participating in a Certificate of Deposit Account Registry Service (CDARS) with the same financial institution, which acts as custodian for funds invested at other financial institutions. At March 31, 2019, the Organization's funds invested in CDARS certificates of deposit were fully insured.

*Investments*

The Organization's investments in equity securities and money market mutual funds 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 and Promises to Give*

Approximately 84% of the contributions reported by the Organization for the year ended March 31, 2018 were received from two donors. Promises to give at both March 31, 2019 and 2018 were also receivable from these two donors.

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7. Available Resources and Liquidity

The Organization's primary revenue sources are contributions and cost sharing fees. The Organization's investment policy directs management to regularly monitor liquidity so that it can meet current operating needs and other commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including demand deposits, certificates of deposit, and money market mutual funds. Certificate of deposits are generally purchased with staggered maturity dates based on the Organization's anticipated cash flow needs.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to (1) its ongoing program activities and (2) the services undertaken to support those activities to be general expenditures. The Organization also considers investment return and anticipated use of funds with restricted time and purpose restrictions when formulating its annual budget.

The following table reflects the Organization's financial assets as of March 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-imposed restrictions or internal board designations.

Cash and Cash Equivalents	\$ 1,176,403
Accounts Receivable	9,378
Promises to Give--net	402,153
Investments at Fair Value	<u>1,033</u>
Total financial assets at March 31, 2019	1,588,967
Less board-designated reserves expected at March 31, 2020	(71,875)
Less amounts with time and purpose donor restrictions expected to be met in fiscal year 2021	(402,153)
Less amounts restricted by donors for other purposes	(60,697)
Less amounts restricted by donors for permanent endowment	<u>(12,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,042,242</u>



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8. Net Assets

*Net Assets Without Donor Restrictions*

The Board of Directors has designated certain unrestricted net assets for specific purposes or uses. At March 31, 2019 and 2018, net assets without donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Undesignated and available to meet general expenditures	\$ 691,478	\$ 662,365
Board designated--reserved from sale of building	<u>71,875</u>	<u>          </u>
Total Net Assets Without Donor Restrictions	<u>\$ 763,353</u>	<u>\$ 662,365</u>

*Net Assets With Donor Restrictions*

As of March 31, 2019 and 2018, net assets with donor restrictions carried various time and purpose restrictions as outlined in the table below. During the year ended March 31, 2019, net assets with donor restrictions of \$433,740 were used for various time and purpose restrictions and thereby released from net assets with donor restrictions. During the year ended March 31, 2018, net assets with donor restrictions of \$54,008 were used for the corresponding donor restricted purposes and thereby released from net assets with donor restrictions. As of March 31, 2019 and 2018, net assets with donor restrictions also included an amount to be held in a permanent endowment, with earnings available to be used to support the Organization's general operations.

Net assets with donor restrictions are available for the following purposes at March 31:

	<u>2019</u>	<u>2018</u>
Time and Purpose Restricted for years		
April 1, 2018 through March 31, 2021:		
Management Fees	\$ 650,000	\$ 975,000
Publications	94,000	110,000
Leader Accreditation Materials	14,348	70,000
Webinar Development	7,912	10,000
Board/Direct Connect Entity Leaders' Summit	<u>          </u>	<u>35,000</u>
Subtotal	766,260	1,200,000
Time Value Discount	<u>(10,648)</u>	<u>(31,348)</u>
	<u>755,612</u>	<u>1,168,652</u>
Other Purpose-Restricted:		
Cy-Pres - Breastfeeding Awareness Projects	50,749	50,749
Leader Accreditation Department	5,550	5,550
General	1,818	1,818
Editor Stipends	1,400	1,400
800 Spanish Line	<u>1,180</u>	<u>1,180</u>
	<u>60,697</u>	<u>60,697</u>
Permanent Endowment	<u>12,000</u>	<u>12,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 828,309</u>	<u>\$ 1,241,349</u>

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9. 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, 2019 and 2018, the Organization has classified the original value of gifts donated to the permanent endowment as net assets with donor restrictions. Gains and losses will be reclassified as net assets without donor restrictions once 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, 2018 or 2019.

*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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9. Endowment Fund (Continued)

Endowment net assets included in net assets with donor restrictions totaled \$12,000 for each of the years ended March 31, 2019 and 2018. There were no additional contributions to the permanent endowment in either 2018 or 2019.

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, which renews on an annual basis, totaled \$450,000 for each of the years ended March 31, 2019 and 2018. The Organization's current management contract with IMI covers the period from April 1, 2019 through March 31, 2020 and provides for annual compensation of \$450,000, which is subject to change based on an increase or decrease in staff hours. In addition to management fees, the Organization reimbursed IMI for administrative expenses incurred on behalf of the Organization. Such reimbursements totaled approximately \$2,700 and \$15,600 for the years ended March 31, 2019 and 2018, respectively.

11. Recently Issued Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides (1) a framework for determining whether a particular transaction is an exchange or a contribution (a nonreciprocal transaction), including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. The new guidance is effective for the Organization for the fiscal year beginning in April 2019. The Organization does not anticipate that this guidance will have a significant impact on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services. Additional disclosure is required to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts with customers. ASU 2014-09 is effective for the Organization's fiscal year beginning in April 2019. The Organization does not anticipate that this guidance will have a significant impact on its financial statements.

12. Subsequent Events

The Organization evaluated its March 31, 2019 financial statements for subsequent events through August 1, 2019, 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 2018 have been reclassified to conform to the 2019 financial statement presentation. Such reclassifications have no effect on the changes in net assets or cash flows as previously reported.