



THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL

Financial Statements

For the Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Association of Junior Leagues International, Inc.

We have audited the accompanying financial statements of The Association of Junior Leagues International, Inc. (the Association), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 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 auditors' 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 The Association of Junior Leagues International, Inc. as of June 30, 2020, 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 the Association's 2019 financial statements, and in our report dated October 25, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC

October 16, 2020

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 590,344	\$ 252,744
Investments	4,014,826	4,784,655
Pledges, contributions and accounts receivable, net of allowance for doubtful accounts of \$2,197 and \$6,897 for 2020 and 2019, respectively	109,504	126,622
Accrued investment interest receivable	9,667	17,223
Prepaid expenses	124,692	81,292
Inventory	-	78,140
Security deposit	75,136	75,136
Net property and equipment	588,514	448,008
Total Assets	<u>\$ 5,512,683</u>	<u>\$ 5,863,820</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 143,321	\$ 853,305
Accrued salaries, leave and other benefits	299,655	121,819
Deferred revenue	15,051	22,992
Loan payable	506,100	-
Deferred rent	228,282	209,896
Total Liabilities	<u>1,192,409</u>	<u>1,208,012</u>
Net Assets		
Without donor restrictions		
Undesignated	3,638,893	3,954,593
Board designated	476,273	473,898
Total without donor restrictions	4,115,166	4,428,491
With donor restrictions		
Purpose and time restrictions	123,403	145,612
Perpetual in nature	81,705	81,705
Total with donor restrictions	205,108	227,317
Total Net Assets	<u>4,320,274</u>	<u>4,655,808</u>
Total Liabilities and Net Assets	<u>\$ 5,512,683</u>	<u>\$ 5,863,820</u>

The accompanying notes are an integral part of these financial statements

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Membership dues	\$ 5,188,125	\$ -	\$ 5,188,125	\$ 5,363,854
Registration fees	474,180	-	474,180	1,171,141
Contributions	132,976	9,354	142,330	156,853
Net investment income	104,078	3,437	107,515	187,591
Merchandise sales	92,896	-	92,896	189,411
Royalties and commissions	59,570	-	59,570	70,546
Other revenue	27,802	-	27,802	42,364
Net assets released from restrictions:				
Satisfaction of program restrictions	35,000	(35,000)	-	-
Total Revenue and Support	<u>6,114,627</u>	<u>(22,209)</u>	<u>6,092,418</u>	<u>7,181,760</u>
Expenses and Losses				
Program services	4,011,863	-	4,011,863	5,084,035
Supporting services	2,344,542	-	2,344,542	1,951,431
Total Expenses	<u>6,356,405</u>	<u>-</u>	<u>6,356,405</u>	<u>7,035,466</u>
Loss on the write-down of inventory	71,547	-	71,547	-
Total Expenses and Losses	<u>6,427,952</u>	<u>-</u>	<u>6,427,952</u>	<u>7,035,466</u>
Change in Net Assets	(313,325)	(22,209)	(335,534)	146,294
Net Assets - Beginning of Year	<u>4,428,491</u>	<u>227,317</u>	<u>4,655,808</u>	<u>4,509,514</u>
Net Assets - End of Year	<u>\$ 4,115,166</u>	<u>\$ 205,108</u>	<u>\$ 4,320,274</u>	<u>\$ 4,655,808</u>

The accompanying notes are an integral part of these financial statements

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

					Supporting Services					
	Organizational Development	Leadership Development	Shared Identity Program	Total Programs	Governance	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries	\$ 1,056,406	\$ 448,218	\$ 305,634	\$ 1,810,258	\$ 95,338	\$ 711,889	\$ 233,242	\$ 1,040,469	\$ 2,850,727	\$ 2,576,397
Employee benefits	254,861	64,638	70,163	389,662	19,149	176,128	39,723	235,000	624,662	573,768
Total personnel costs	1,311,267	512,856	375,797	2,199,920	114,487	888,017	272,965	1,275,469	3,475,389	3,150,165
Professional services	150,998	159,176	234,612	544,786	4,685	451,911	420	457,016	1,001,802	1,197,176
Travel and meetings	11,164	405,192	11,885	428,241	80,639	26,420	1,457	108,516	536,757	1,323,876
Occupancy	140,294	82,589	83,309	306,192	16,152	120,819	40,112	177,083	483,275	483,906
Subscriptions and publications	81,558	33,970	67,619	183,147	3,562	87,415	7,110	98,087	281,234	179,060
Other	6,763	3,668	13,539	23,970	3,614	38,172	9,396	51,182	75,152	41,496
Contributions and awards	-	-	61,350	61,350	-	-	-	-	61,350	53,500
Cost of goods sold	-	25,524	29,801	55,325	-	-	-	-	55,325	96,032
Insurance	10,903	6,419	6,475	23,797	1,253	18,831	3,118	23,202	46,999	42,835
Communications	16,463	4,812	5,366	26,641	1,608	14,391	2,566	18,565	45,206	41,129
Equipment rental and maintenance	6,741	4,316	4,363	15,420	777	14,773	1,927	17,477	32,897	58,044
Finance and other service charges	-	1,811	-	1,811	-	30,166	-	30,166	31,977	70,691
Office supplies	5,903	5,420	6,376	17,699	667	7,640	4,531	12,838	30,537	55,991
Registration and training fees	2,302	8	700	3,010	13	1,874	7,909	9,796	12,806	8,352
Postage and delivery	103	7,692	542	8,337	156	547	3,692	4,395	12,732	23,474
Printing	4	685	9,477	10,166	455	-	1,641	2,096	12,262	29,141
Total other than personnel costs	433,196	741,282	535,414	1,709,892	113,581	812,959	83,879	1,010,419	2,720,311	3,704,703
Total expenses before depreciation and amortization	1,744,463	1,254,138	911,211	3,909,812	228,068	1,700,976	356,844	2,285,888	6,195,700	6,854,868
Depreciation and amortization	59,553	25,268	17,230	102,051	5,375	40,130	13,149	58,654	160,705	180,598
Total Expenses	<u><u>\$ 1,804,016</u></u>	<u><u>\$ 1,279,406</u></u>	<u><u>\$ 928,441</u></u>	<u><u>\$ 4,011,863</u></u>	<u><u>\$ 233,443</u></u>	<u><u>\$ 1,741,106</u></u>	<u><u>\$ 369,993</u></u>	<u><u>\$ 2,344,542</u></u>	<u><u>\$ 6,356,405</u></u>	<u><u>\$ 7,035,466</u></u>

The accompanying notes are an integral part of these financial statements

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ (335,534)	\$ 146,294
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Provision for doubtful accounts receivable	(4,700)	3,880
Realized loss on investments	167,890	35,333
Unrealized (gain) loss on investments	(106,212)	10,574
Loss on the write-down of inventory	71,547	-
Depreciation and amortization	160,705	180,598
Changes in assets and liabilities:		
Pledges, contributions and accounts receivable	21,818	(33,592)
Accrued investment interest receivable	7,556	(1,162)
Prepaid expenses	(43,400)	34,374
Inventory	6,593	4,470
Accounts payable and accrued expenses	(709,984)	656,449
Accrued salaries, leave and other benefits	177,836	(95,053)
Deferred revenue	(7,941)	2,589
Deferred rent	18,386	31,176
Net Cash (Used In) Provided By Operating Activities	(575,440)	975,930
Cash Flows From Investing Activities		
Proceeds from the sale of investments	3,750,000	2,000,000
Acquisition of investments	(3,041,849)	(2,983,049)
Acquisition of property and equipment	(301,211)	(165,312)
Net Cash Provided By (Used In) Investing Activities	406,940	(1,148,361)
Cash Flows From Financing Activities		
Borrowing from loan payable	506,100	-
Net Cash Provided By Financing Activities	506,100	-
Net Increase (Decrease) In Cash and Cash Equivalents	337,600	(172,431)
Cash and Cash Equivalents - Beginning of Year	252,744	425,175
Cash and Cash Equivalents - End of Year	\$ 590,344	\$ 252,744
Supplemental Cash Flow Information		
Actual cash payments for income taxes	\$ 18,524	\$ 10,214

The accompanying notes are an integral part of these financial statements

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Association of Junior Leagues International, Inc. (the Association) is a 501(c)(3) public charity incorporated under the laws of New York. The mission of the Association is promoting voluntarism, developing the potential of women and improving communities through the effective action and leadership of trained volunteers. The Association's members are the 293 Junior Leagues in the United States, Canada, Mexico and the United Kingdom, which themselves have a combined membership of approximately 130,000 individual Junior League members. The Association's activities are funded primarily through membership dues.

CASH EQUIVALENTS

The Association considers all money market funds to be cash equivalents.

INVESTMENTS

Investments consist of mutual funds, U.S. Treasury notes and a certificate of deposit with an original maturity greater than 90 days. The mutual funds and U.S. Treasury notes are recorded in the accompanying financial statements at their fair value as of June 30th. The certificate of deposit is recorded at amortized cost which approximates fair value.

The change in unrealized appreciation or depreciation of investments is included in net investment income in the accompanying statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in net investment income in the accompanying statement of activities.

PLEDGES, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Association uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific contributions. A provision for doubtful accounts is made when collection of the full amount is no longer probable. As of June 30, 2020, all receivables were due to be collected within one year.

INVENTORY

Inventory, which consisted principally of retail goods held for resale, was stated at the lower of cost or net realizable value and calculated using the weighted average cost method. As of June 30, 2020, the Association discontinued its platform for selling these retail goods. The items which remained on-hand were determined to have no significant resale value principally due to damage or being out of date, and a loss was recognized to write off the remaining book value of these items as of June 30, 2020.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years. Leasehold improvements are amortized over the shorter of the lease period or useful life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. The Association's policy is to capitalize purchases of furniture, equipment and major repairs and improvements of \$1,500 or more. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access. This classification is applied to any investment of the Association that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As of and for the year ended June 30, 2020, only the Association's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

CLASSIFICATION OF NET ASSETS

The net assets of the Association are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Association's operations or that have been designated by the Board for a particular purpose.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors for various programs or future periods. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, whereby the donor stipulates that the resources be maintained in perpetuity.

REVENUE RECOGNITION

Revenue from annual membership dues is recognized as revenue in the year to which the membership term pertains. The Association's membership term is based upon the Association's fiscal year. Dues paid by members in advance of the period to which they pertain are reflected in the accompanying statement of financial position as deferred revenue as these dues are refundable to the member.

Revenue from conference registrations is recognized as revenue when the conferences take place.

Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Association reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets as increases in net assets without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as increases in net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Contributions and pledges that are received for the Association's endowments are to be held in perpetuity per donor stipulation.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Certain expenses have been directly applied to functions based upon the nature of the expense. Other expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits have been allocated on the basis of time and effort. Other indirect costs have been allocated based on an allocation ratio derived from the salaries and benefits allocation or total direct costs.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As of June 30, 2020, financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, were as follows:

Cash and cash equivalents	\$ 571,270
Investments	3,818,901
Pledges, contributions and trade receivables	100,321
Accrued interest receivable	<u>9,667</u>
Total financial assets and liquidity resources available within one year	<u>\$ 4,500,159</u>

The Association's cash flows have seasonable variations during the year attributable to membership dues billings.

Cash and cash equivalents available within one year excludes the balance of funds of \$19,074 held by the Association as of June 30, 2020 on behalf of others. Investments available within one year excludes the balance of donor restricted net assets that have been received as of June 30, 2020 and pledges, contributions and trade receivables available within one year excludes the balance of receivables subject to donor imposed purpose restrictions.

As outlined in Note 6 to these financial statements, the Association's Board of Directors has designated a portion of its resources totaling \$476,273 as of June 30, 2020 to be set aside for various reserve funds and other internally designated projects. However, these funds are liquid and remain available to be spent at the discretion of the Board and are therefore included in the total of financial assets available within one year above.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3 - INVESTMENTS

The Association has used the following fair value measurements as of June 30, 2020:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Mutual funds:				
Fixed income mutual funds	\$ 1,318,165	\$ 1,318,165	\$ -	\$ -
Equity mutual funds	1,021,349	1,021,349	-	-
Multi-asset mutual fund	<u>163,987</u>	<u>163,987</u>	-	-
Total mutual funds	2,503,501	2,503,501	-	-
U.S. Treasury notes	<u>1,261,313</u>	-	<u>1,261,313</u>	-
Total investments carried at fair value	\$ 3,764,814	<u>\$ 2,503,501</u>	<u>\$ 1,261,313</u>	<u>\$ -</u>
Certificate of deposit	<u>250,012</u>			
Total investments	<u>\$ 4,014,826</u>			

The mutual funds held by the Association as of June 30, 2020 are listed on major securities exchanges with readily obtainable trading values and have been classified as “level 1” by the Association.

The U.S. Treasury notes held by the Association as of June 30, 2020 have been classified as “level 2” by the Association as values are based upon quoted prices of securities with similar characteristics, estimates using pricing models, or discounted cash flows.

The certificate of deposit held by the Association as of June 30, 2020 and included in its investment portfolio does not meet the definition of a security subject to the fair value measurements and disclosures of the FASB ASC and is therefore not categorized in the fair value hierarchy.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 - PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

The Association held the following property and equipment as of June 30, 2020:

Computer equipment, software and website	\$ 1,735,654
Office furniture and equipment	285,931
Leasehold improvements	<u>32,200</u>
Total	2,053,785
Less: Accumulated depreciation and amortization	(<u>1,465,271</u>)
Net property and equipment	<u>\$ 588,514</u>

NOTE 5 – LOAN PAYABLE

On April 17, 2020, the Association obtained a loan in the amount of \$506,100 under the Small Business Administration Paycheck Protection Program (SBA PPP). The loan matures April 17, 2022 and has a fixed interest rate of 1% per annum. Repayments are deferred for the first six months of the loan. The Association expects that it will meet the criteria of the PPP to allow for loan forgiveness for the full amount of the loan.

NOTE 6 - NET ASSETS

Net Assets Without Donor Restrictions - Board Designated Net Assets

The Board of Directors of the Association has established three separate funds, none of which are considered to be quasi-endowment funds. The contingency fund is to provide funds for future emergency needs of the Association. The disaster fund is to provide funds for future emergency needs of Leagues due to unexpected natural and other disasters. The diversity, equity and inclusion fund (accelerator fund) is to provide support to Leagues to realize their diversity, equity and inclusion goals. Such funds, including all allocable investment income (losses) on the disaster funds, are reflected as net assets without donor restrictions - board designated net assets in the accompanying financial statements. Also included in the board designated disaster fund are the allocated investment earnings (losses) on donor restricted net assets designated for disaster relief efforts.

During the year ended June 30, 2020 there were no approved expenditures from any of the board designated funds. The balances as of June 30, 2020 of each of the board designated funds were as follows:

Contingency fund	\$ 418,708
Disaster fund	51,982
Diversity, equity and inclusion fund	<u>5,583</u>
Total	<u>\$ 476,273</u>

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - NET ASSETS (CONTINUED)

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted to the following purposes or time periods as of June 30, 2020:

Disaster relief	\$ 50,102
Program partnership fund	18,379
Diversity, equity and inclusion initiative	9,183
Cumulative earnings on endowment funds for funding representatives of Junior Leagues to attend conferences and other training and educational opportunities	<u>45,739</u>
Total subject to expenditure for specified purposes and time periods	123,403
Endowments to be held in perpetuity	<u>81,705</u>
Total net assets with donor restrictions	<u>\$ 205,108</u>

Earnings on disaster relief funds were not restricted by the donors but have been designated by the Board and are included in the Association's board designated disaster fund.

Earnings on the program partnership fund are restricted by the donors and included in net assets with donor restrictions until appropriated for expenditure.

All earnings on the endowment funds of the Association are restricted by the donors to fund representatives of Junior Leagues to attend the Association's various conferences as well as to support other training and educational opportunities for members of Junior Leagues.

NOTE 7 - ENDOWMENTS

The Association's endowment is termed the Tribute Fund and consists of the following two endowment funds as of June 30, 2020:

Anne Dalton 25 th Anniversary Fund	\$ 69,911
Deborah L. Seidel Endowment for Program	<u>11,794</u>
Total	<u>\$ 81,705</u>

Earnings on each of these two funds are donor restricted as such earnings may be used only for the program purposes specified by the donor.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - ENDOWMENTS (CONTINUED)

The Association had the following endowment related activities for the year ended June 30, 2020:

	<u>With Donor Restrictions</u>	
	<u>Perpetual in Nature</u>	<u>Purpose and Time Restrictions</u>
Donor restricted endowment net assets at June 30, 2019	\$ 81,705	\$ 42,714
Investment returns:		
Interest and dividends	-	4,652
Net depreciation (realized/unrealized)	-	(1,698)
Total investment return	-	2,954
Contributions	-	71
Amounts appropriated for expenditure	-	-
Donor restricted endowment net assets at June 30, 2020	<u>\$ 81,705</u>	<u>\$ 45,739</u>

Interpretation of Relevant Law

The Association classifies the original value of all endowment gifts as donor restricted net assets – perpetual in nature. The Association’s policy is to preserve 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.

The Association’s Board has interpreted the New York enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Association to appropriate for expenditure or accumulate so much of an endowment fund as the Association determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Investment returns on endowment funds are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the endowment funds and the donor restricted net assets arising from earnings thereon are classified as net assets with donor restrictions (purpose and time restrictions) until those amounts are appropriated for expenditure by the Association.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, as approved by the Board of Directors, the primary emphasis of the endowment assets is the preservation of capital with secondary emphasis on growth of principal and income. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would undertake. Over a five year period, the Association strives to achieve a rate of return, after fees, which in aggregate exceeds the weighted average return of the applicable market indices.

Strategies Employed for Achieving Objectives

To satisfy its long term return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation which is reviewed as necessary but, at a minimum, on an annual basis. The Association's target asset allocation is to hold at least 65% of the funds in fixed income instruments and cash equivalents with no more than 30% of the funds held in equities.

Spending Policy

In accordance with donor instructions, earnings on the endowment funds may only be used for the program purposes specified by the donor, including funding program services (Deborah L. Seidel Endowment for Program), and funding representatives of Junior Leagues to attend the Association's various conferences as well as to support other training and educational opportunities for members of Junior Leagues (Anne Dalton 25th Anniversary Fund). Until appropriated for expenditure, earnings on the endowment funds are reported as donor restricted net assets. No spending was approved by the Board during the year ended June 30, 2020.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires an organization to retain as a fund of perpetual duration. There were no such deficiencies of the Association's endowment funds as of June 30, 2020.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - COMMITMENTS, RISKS AND CONTINGENCIES

Contractual Commitments

The Association has entered into various letters of agreement for commitments for hotel accommodations for its future planned conferences through May 2022. In the event the Association were to cancel these reservations or fail to use a specified percentage of the total space reserved, the Association would be required to pay liquidated damages based upon the date the hotel was notified of the cancellation or reduction in requested rooms based upon the hotel's ability to fill the resulting vacancies. Management of the Association does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying financial statements.

Concentration of Credit Risk

The cash and cash equivalents of the Association are comprised of amounts in accounts at a financial institution. While the amounts at times exceed the amount guaranteed by federal agencies and, therefore, bear some risk, the Association has not experienced, nor does it anticipate, any loss of funds. As of June 30, 2020, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor at FDIC insured institutions up to \$250,000. The amount held by the Association in excess of the FDIC insured limit as of June 30, 2020 was \$250,409.

Operating Lease

In March 2006, the Association entered into an operating lease agreement for office space in New York City. The lease commenced September 2006 and would have expired April 2017.

In June 2016, the Association entered into an amendment for this lease. The amendment was effective October 2016 and provided for the Association to vacate its prior office space and occupy different office space in the same building. The term of the lease, as amended, expires December 2026. The lease amendment contains an option to renew for an additional five year period.

The original lease and lease amendment contain fixed escalation clauses for increases in the annual minimum rent over the term of the lease. The original lease provided for rent abatement for the first seven months of the lease term and the lease amendment provided for rent abatement for the first two months of the amended term.

Under accounting principles generally accepted in the United States of America, all rent abatements and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Note 8 - COMMITMENTS, RISKS AND CONTINGENCIES (CONTINUED)

Operating Lease (continued)

Rent expense under this lease for the year ended June 30, 2020, exclusive of pass-through operating costs, was approximately \$465,000 and is included in occupancy expense in the accompanying statement of functional expenses.

As of June 30, 2020, total future minimum lease payments required under the Association's operating lease for its office space are as follows:

For the Years Ending June 30,	Total
2021	\$ 458,614
2022	472,372
2023	486,543
2024	501,139
2025	516,174
Thereafter	802,779
Total future minimum lease payments	<u>\$ 3,237,621</u>

Global Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for non-essential services and triggered volatility in financial markets and a significant negative impact on the global economy. As a result of the pandemic, the Association cancelled its annual conference which had been scheduled for May 2020.

The Association's management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on the Association's results of operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 9 – RETIREMENT SAVINGS PLAN

Effective December 1, 2007, the Association adopted a defined contribution plan under Section 403(b) of the Internal Revenue Code. The effective date of the plan was made retroactive to August 1, 2007. Employees are eligible to participate in the plan immediately upon their hire and may elect to contribute up to the Federal tax limitations.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9 – RETIREMENT SAVINGS PLAN (CONTINUED)

Effective January 1, 2018, the plan provides for an employer matching contribution equal to the lesser of 200% of the participant's contribution to the plan or 6% of the employee's eligible compensation. Beginning January 1, 2020, employees are eligible after three months of service to receive the employer matching contributions. Prior to January 1, 2020, employees were eligible after one year of service to receive the employer matching contributions. Employees are immediately vested in the full value of their accounts, including employer contributions. The plan includes a provision allowing loans from the plan in an amount not to exceed 50% of the participant's account value.

Retirement plan expense for the year ended June 30, 2020 was approximately \$124,000 and is included in employee benefits in the accompanying statement of functional expenses.

NOTE 10 - INCOME TAXES

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income.

The Association generates unrelated business income from commissions it receives from its group life insurance underwriter. Such commissions are based upon Junior League members' participation in the various insurance plans offered. Commissions are also received from several car rental agencies and other organizations based upon purchases made by members of the various Junior Leagues. The Association also generated unrelated business income from the sale of various accessory items prior to discontinuing the platform for selling these items.

The provision for income tax was approximately \$11,000 for the year ended June 30, 2020 and is included in other expenses in the accompanying statement of functional expenses.

The Association reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income tax. For the year ended June 30, 2020, management did not identify any uncertainty in income tax requiring recognition or disclosure in these financial statements.

The Association's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 11 - SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense. 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 Association's financial statements for the year ended June 30, 2019, from which the summarized information was prepared.

NOTE 12 - SUBSEQUENT EVENTS

The Association's management has evaluated subsequent events through October 16, 2020, the date the financial statements were available to be issued. There were no subsequent events identified through October 16, 2020 required to be disclosed in these financial statements.