



**THE ASSOCIATION OF
JUNIOR LEAGUES INTERNATIONAL INC.**

Women building better communities®

Financial Statements

For the Year Ended June 30, 2012

(With Summarized Financial Information for the Year Ended June 30, 2011)



**and
Report Thereon**





R A F F A

INDEPENDENT AUDITOR'S REPORT

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

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of The Association of Junior Leagues International Inc. (the Association) as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's June 30, 2011 financial statements and, in our report dated August 26, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

RAFFA, P.C.

Washington, DC
October 3, 2012

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information as of June 30, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 261,685	\$ 797,650
Investments	4,180,453	5,937,855
Accounts receivable and pledges receivable, net of allowance for doubtful accounts of \$31,607 and \$19,236 for 2012 and 2011, respectively	56,494	45,826
Accrued investment interest receivable	40,757	38,560
Prepaid expenses	45,337	101,387
Inventory	132,436	158,617
Security deposits	76,444	76,444
Net property and equipment	330,378	282,634
TOTAL ASSETS	\$ 5,123,984	\$ 7,438,973
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 306,783	\$ 528,670
Accrued salaries and leave	231,931	275,375
Deferred revenue	10,941	53,272
Deferred rent	199,731	211,979
Accrued pension cost	-	1,099,948
TOTAL LIABILITIES	749,386	2,169,244
Net Assets		
Unrestricted		
Undesignated	3,709,231	5,389,352
Accumulated net unrecognized actuarial loss	-	(726,436)
Board designated	413,403	412,386
Total Unrestricted	4,122,634	5,075,302
Temporarily Restricted	158,815	101,403
Permanently Restricted	93,149	93,024
TOTAL NET ASSETS	4,374,598	5,269,729
TOTAL LIABILITIES AND NET ASSETS	\$ 5,123,984	\$ 7,438,973

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, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT					
Membership dues	\$ 5,143,959	\$ -	\$ -	\$ 5,143,959	\$ 5,209,606
Registration fees	960,180	-	-	960,180	958,691
Cookbook and merchandise sales	150,940	-	-	150,940	156,933
Royalties and commissions	111,394	-	-	111,394	125,237
Grants and contributions	139,901	57,400	125	197,426	52,415
In-kind contributions	38,640	-	-	38,640	39,100
Investment income	60,194	12	-	60,206	116,213
Other revenue	58,376	-	-	58,376	49,213
TOTAL REVENUE AND SUPPORT	6,663,584	57,412	125	6,721,121	6,707,408
EXPENSES					
Program services	5,743,998	-	-	5,743,998	4,371,745
Supporting services	2,598,690	-	-	2,598,690	2,016,630
TOTAL EXPENSES	8,342,688	-	-	8,342,688	6,388,375
Change in Net Assets	(1,679,104)	57,412	125	(1,621,567)	319,033
Unrecognized actuarial gain	-	-	-	-	56,599
Gain from defined benefit plan settlement	726,436	-	-	726,436	-
NET ASSETS, BEGINNING OF YEAR	5,075,302	101,403	93,024	5,269,729	4,894,097
NET ASSETS, END OF YEAR	\$ 4,122,634	\$ 158,815	\$ 93,149	\$ 4,374,598	\$ 5,269,729

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, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)

	Program Services				Supporting Services				2012 Total	2011 Total
	Leadership Development	Organizational Development	Shared Identity Program	Total Programs	Governance	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 362,314	\$ 569,439	\$ 273,497	\$ 1,205,250	\$ 39,773	\$ 719,178	\$ 75,693	\$ 834,644	\$ 2,039,894	\$ 2,002,717
Employee benefits	80,925	142,819	74,815	298,559	8,395	210,891	15,641	234,927	533,486	608,572
Total personnel costs	443,239	712,258	348,312	1,503,809	48,168	930,069	91,334	1,069,571	2,573,380	2,611,289
Travel and meetings	1,277,786	160,672	34,539	1,472,997	113,746	5,579	1,253	120,578	1,593,575	1,292,107
Professional services	209,813	363,160	397,866	970,839	47,350	369,763	31,637	448,750	1,419,589	1,269,375
Occupancy	49,689	113,812	45,330	208,831	5,843	116,345	13,688	135,876	344,707	338,789
Equipment rental and maintenance	21,897	64,056	17,813	103,766	1,701	48,369	3,745	53,815	157,581	125,629
Awards	2,077	-	126,560	128,637	-	-	-	-	128,637	45,726
Office supplies	74,918	5,855	5,958	86,731	557	15,551	531	16,639	103,370	71,604
Cost of goods sold	11,143	-	90,385	101,528	-	-	-	-	101,528	156,410
Finance and other service charges	28,350	-	-	28,350	-	49,797	-	49,797	78,147	79,837
Postage and delivery	23,057	648	37,365	61,070	923	5,737	-	6,660	67,730	77,929
Printing	23,783	111	29,288	53,182	730	337	-	1,067	54,249	66,932
Subscriptions and publications	1,128	21,214	20,561	42,903	225	4,079	5,267	9,571	52,474	29,093
Insurance	4,660	11,243	4,477	20,380	577	14,294	1,352	16,223	36,603	43,638
Communications	5,661	10,181	10,610	26,452	3,114	5,896	93	9,103	35,555	36,352
Registration and training fees	800	3,129	19,476	23,405	26	5,017	-	5,043	28,448	30,279
Other	1,637	529	480	2,646	1	24,020	435	24,456	27,102	8,529
Total other than personnel costs	1,736,399	754,610	840,708	3,331,717	174,793	664,784	58,001	897,578	4,229,295	3,672,229
Total expenses before depreciation and amortization, provision for income tax, and cost for fully funding the defined benefit plan	2,179,638	1,466,868	1,189,020	4,835,526	222,961	1,594,853	149,335	1,967,149	6,802,675	6,283,518
Cost for fully funding the defined benefit plan	244,735	403,093	201,547	849,375	28,792	510,356	51,095	590,243	1,439,618	-
Depreciation and amortization	17,028	28,046	14,023	59,097	2,003	35,509	3,555	41,067	100,164	98,057
Provision for income tax	-	-	-	-	-	231	-	231	231	6,800
TOTAL EXPENSES	\$ 2,441,401	\$ 1,898,007	\$ 1,404,590	\$ 5,743,998	\$ 253,756	\$ 2,140,949	\$ 203,985	\$ 2,598,690	\$ 8,342,688	\$ 6,388,375

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, 2012
(With Summarized Financial Information for the Year Ended June 30, 2011)
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,621,567)	\$ 319,033
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Gain from defined benefit plan termination	726,436	-
Unrecognized actuarial gain	-	56,599
Provision for doubtful accounts receivable	12,371	(13,659)
Realized loss (gain) on investments	189,823	(70,037)
Unrealized loss on investments	34,528	224,859
Depreciation and amortization	100,164	98,057
Changes in assets and liabilities:		
Pledges receivable and accounts receivable	(23,039)	4,329
Accrued investment interest receivable	(2,197)	(408)
Prepaid expenses	56,050	(49,983)
Inventory	26,181	(1,261)
Accounts payable and accrued expenses	(221,887)	169,576
Accrued salaries and leave	(43,444)	29,737
Deferred revenue	(42,331)	(50,620)
Accrued pension cost	(1,099,948)	25,952
Deferred rent	(12,248)	(4,780)
	<u>(1,921,108)</u>	<u>737,394</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	5,325,033	3,523,382
Acquisition of investments	(3,791,982)	(4,217,512)
Acquisition of property and equipment	(147,908)	(157,889)
	<u>1,385,143</u>	<u>(852,019)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(535,965)	(114,625)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>797,650</u>	<u>912,275</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 261,685</u>	<u>\$ 797,650</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for income taxes	<u>\$ -</u>	<u>\$ 6,692</u>

The accompanying notes are an integral part
of these financial statements

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

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 155,000 individual Junior League members. The Association's activities are funded primarily through membership dues.

Cash Equivalents

The Association considers money market funds, other than those which are part of the permanently restricted endowment fund, to be cash equivalents.

Investments

Investments consist of corporate bonds, mutual funds, U.S. Government and agency obligations and a money market fund designated as part of the permanently restricted endowment fund. These investments are recorded in the accompanying financial statements at their fair value.

Accounts and Pledges Receivable

The Association uses the allowance method to determine uncollectible accounts and pledges receivable. The allowance is based on prior years' experience and management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Inventory

Inventory, which consists principally of retail goods held for resale, is stated at the lower of cost or market and is calculated using the weighted average cost method.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

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 principally depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven 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 \$750 or more. Upon the retirement or disposal of assets, the cost and accumulated depreciation 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.

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

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

Fair Value of Financial Instruments (continued)

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.

As of and for the year ended June 30, 2012, only the Association's investments, as described in Note 2 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:

- Unrestricted net assets 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.
- Temporarily restricted net assets are specifically restricted by donors for various programs or future periods.
- Permanently restricted net assets represent endowment funds of the Association with donor stipulations that require the gifts to be held in perpetuity and permit only the income to be spent for the purpose designated by the donor.

Revenue Recognition

Revenue from annual membership dues is recognized as revenue in the year to which the membership term pertains. 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 considered refundable to the member.

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

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (continued)

Contributions and grants 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 unrestricted support 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 temporarily restricted if such donor stipulations are not fully met in the year the award is received. 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. Contributions and pledges that are received for the Association's endowments and to be held in perpetuity per donor stipulation are reported as permanently restricted.

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. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

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.

Reclassifications

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

2. Investments

The Association has used the following fair value measurements as of June 30, 2012:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$3,477,749	\$3,477,749	\$ -	\$ -
Mutual funds (3 funds)	345,971	345,971	-	-
U.S. government and agency obligations	237,854	237,854	-	-
Money market fund	<u>118,879</u>	<u>118,879</u>	-	-
Total	<u>\$4,180,453</u>	<u>\$4,180,453</u>	<u>\$ -</u>	<u>\$ -</u>

Based upon an analysis of the nature and risk of the corporate bonds and the mutual funds held as of June 30, 2012, the Association determined that presenting them each as a single class was appropriate. All fixed income securities held by the Association are rated A or higher.

Based upon information and advice from the Association's investment advisor and custodian, the Association has classified its corporate bonds and U.S. government and agency obligations as "level 1" as all of these securities held by the Association as of June 30, 2012 have trading value quotes readily obtainable throughout the day by its investment advisor and custodian. The three mutual funds held by the Association as of June 30, 2012 are listed on major securities exchanges with readily obtainable trading values and similarly have been classified as "level 1" by the Association.

The fair value and cost of the Association's investments as of June 30, 2012 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$3,474,422	\$3,477,749
Mutual funds	405,938	345,971
U.S. government and agency obligations	213,039	237,854
Money market funds	<u>118,879</u>	<u>118,879</u>
Total	<u>\$4,212,278</u>	<u>\$4,180,453</u>

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

2. Investments (continued)

Investment returns for the year ended June 30, 2012 are summarized as follows:

Interest and dividend income on investments and cash and cash equivalents	\$ 284,557
Realized loss	(189,823)
Unrealized loss	<u>(34,528)</u>
Total	<u>\$ 60,206</u>

3. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of June 30, 2012:

Office furniture and equipment	\$ 625,320
Computer equipment and software	792,271
Leasehold improvements	<u>458,735</u>
Total	1,876,326
Less: Accumulated depreciation and amortization	<u>(1,545,948)</u>
Net property and equipment	<u>\$ 330,378</u>

4. Net Assets

Board Designated Net Assets

The Board of Directors of the Association has established two separate funds. The relocation fund is to provide funds for future needed office moves. The disaster fund is to provide funds for future emergency needs of Leagues due to unexpected natural and other disasters. Such funds, including all allocable investment income (losses) on each of these funds, are reflected as unrestricted-board designated net assets in the accompanying financial statements. Also included in the board designated disaster fund are the allocated investment earnings (losses) on temporarily restricted net assets restricted for disaster relief efforts. None of these board designated funds were used during the year ended June 30, 2012. The balance as of June 30, 2012 of the board designated relocation fund and the board designated disaster fund was \$383,049 and \$30,354, respectively. The Association does not consider either of its board designated funds to be quasi-endowment funds.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

4. Net Assets (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and time periods as of June 30, 2012:

Disaster relief	\$ 72,819
<i>Kids in the Kitchen</i> initiative	50,000
Cumulative earnings on permanently restricted funds	<u>35,996</u>
Total temporarily restricted net assets	<u>\$ 158,815</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.

All earnings on the permanently restricted funds of the Association are restricted by the donors to fund program services, to fund a program collaborator award and 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.

Permanently Restricted Net Assets

The Association's endowment is termed the Tribute Fund and consists of the following three endowment funds as of June 30, 2012:

Anne Dalton 25 th Anniversary Fund	\$ 69,561
Deborah L. Seidel Endowment for Program	11,794
Program Partnership Award Endowment Fund	<u>11,794</u>
Total	<u>\$ 93,149</u>

Earnings on each of these funds are considered temporarily 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

4. Net Assets (continued)

Endowments

The Association had the following endowment related activities for the year ended June 30, 2012:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>
Endowment net assets at June 30, 2011	\$ 93,024	\$ 35,984
Investment returns:		
Interest and dividends	-	12
Net depreciation (realized/unrealized)	<u>-</u>	<u>-</u>
Total investment return	-	12
Contributions	125	-
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Endowment net assets at June 30, 2012	<u>\$ 93,149</u>	<u>\$ 35,996</u>

Interpretation of Relevant Law

The Association classifies as permanently restricted net assets the original value of all gifts donated to the permanent endowment. 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 permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings on the permanently restricted and the temporarily restricted net assets arising from earnings thereon are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

4. Net Assets (continued)

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 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 permanently restricted endowments are considered temporarily restricted as such earnings may only be used for the program purposes specified by the donor, including funding program services (Deborah L. Seidel Endowment for Program), funding a program collaborator award (Program Partnership Award Endowment Fund) 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). No earnings will be spent from these funds until each reaches a minimum size determined by the Association that will enable them to generate meaningful earnings for the programs.

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, 2012.

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

5. 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 September 2013. 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.

Operating Lease

In March 2006, the Association entered into an operating lease agreement for its current office space in New York City. The lease commenced September 2006 and expires April 2017. The lease contains an option to renew for an additional five year period. The lease also contains a fixed escalation clause for increases in the annual minimum rent over the term of the lease and provides for rent abatement for the first seven months of the lease 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.

Rent expense under this lease for the year ended June 30, 2012 was \$294,309 and is included in occupancy expense in the accompanying statement of functional expenses.

As of June 30, 2012, total future minimum lease payments required under the Association's operating lease for its current office space are as follows:

<u>For the Years Ending</u> <u>June 30,</u>	<u>Total</u>
2013	\$ 317,300
2014	326,819
2015	336,624
2016	346,722
2017	<u>267,408</u>
Total future minimum lease payments	<u>\$1,594,873</u>

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

6. Contributed Services and Materials

The Association received various donated products for use at its annual conference. Donated contributions of \$38,640 representing the fair value of these materials have been recorded as revenue and expense in the accompanying financial statements for the year ended June 30, 2012.

7. Pension Plans

Defined Contribution 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 plan provides for a base employer contribution and employer matching contributions. Employees are eligible after one year of service to receive the employer base and matching contributions. Employees are immediately vested in the full value of their accounts, including employer contributions.

The base employer contribution is currently equal to 3% of the participants' eligible compensation. The employer matching contribution is currently equal to the lesser of 200% of the participant's contribution to the plan or 6% of the employee's eligible compensation.

Pension expense for the year ended June 30, 2012 was approximately \$161,000 and is included in employee benefits in the accompanying statement of functional expenses.

The plan includes a provision allowing loans from the plan in an amount not to exceed 50% of the participant's account value.

Defined Benefit Plan

The Association maintained a noncontributory defined benefit pension plan (the Plan) that covered substantially all employees of the Association, subject to certain eligibility requirements.

On June 23, 2007, the board of the Association resolved to terminate the Plan. The Plan was terminated effective August 1, 2007 and benefit accruals for all participants ceased on July 31, 2007. The Plan was formally closed down and all Plan assets distributed as of June 30, 2012.

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NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Defined Benefit Plan (continued)

The Association was required to fully fund the Plan prior to termination. The Association contributed \$1,813,130 to the Plan during the year ended June 30, 2012 to fully fund the Plan's obligations. The cumulative unrecognized actuarial loss of \$726,436 reported by the Association as a component of its unrestricted net assets as of June 30, 2011 was recognized as of June 30, 2012 as a gain from the defined benefit plan settlement. The net cost of fully funding the Plan prior to full settlement was \$1,439,618 and is reported in the accompanying statement of functional expenses.

8. 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 generates unrelated business income from the sale of various accessory items.

The provision for income tax was \$231 for the year ended June 30, 2012 and is included in the provision for income taxes 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 uncertain tax positions. For the year ended June 30, 2012, management did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of June 30, 2012, tax years reasonably considered open and subject to examination include returns for the years ended June 30, 2009 through June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS

9. Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2011, from which the summarized information was prepared.

10. Subsequent Events

The Association's management has evaluated subsequent events through October 3, 2012, the date the financial statements were available to be issued. There were no subsequent events identified through October 3, 2012 required to be disclosed in these financial statements