

**THE JUNIOR LEAGUE OF PHILADELPHIA, INC.**

**FINANCIAL STATEMENTS**

*Years Ended May 31, 2017 and 2016*



*Certified Public Accountants and Business Consultants*

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## TABLE OF CONTENTS

YEARS ENDED MAY 31, 2017 AND 2016

---

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5

## ***Independent Auditors' Report***

To the Board of Directors  
The Junior League of Philadelphia, Inc.  
Ardmore, Pennsylvania

We have audited the accompanying financial statements of The Junior League of Philadelphia, Inc., which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities 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.

### ***Auditors' 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 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 Junior League of Philadelphia, Inc. as of May 31, 2017 and 2016, 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.



Oaks, Pennsylvania  
December 1, 2017

**THE JUNIOR LEAGUE OF PHILADELPHIA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 829,732	\$ 1,029,036
Investments	477,388	437,819
Inventory	225,000	225,000
Contributions and other receivables	1,278	1,188
Pledges receivable	27,621	70,839
Prepaid expenses	<u>10,097</u>	<u>10,681</u>
TOTAL CURRENT ASSETS	1,571,116	1,774,563
PROPERTY AND EQUIPMENT, net of accumulated depreciation	3,020,883	3,130,002
PLEDGES RECEIVABLE, long term, net of discount	-	14,293
COLLECTIONS (Note B)		
BENEFICIAL INTEREST IN ASSETS HELD BY THE PHILADELPHIA FOUNDATION	<u>29,207</u>	<u>27,480</u>
TOTAL ASSETS	<u>\$ 4,621,206</u>	<u>\$ 4,946,338</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 43,320	\$ 29,670
Current portion of long-term debt	70,055	85,305
Deferred membership dues and revenues	<u>94,557</u>	<u>90,219</u>
TOTAL CURRENT LIABILITIES	207,932	205,194
LONG-TERM DEBT, net of current portion	<u>886,054</u>	<u>998,225</u>
TOTAL LIABILITIES	<u>1,093,986</u>	<u>1,203,419</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	3,206,208	3,520,159
Temporarily restricted	<u>321,012</u>	<u>222,760</u>
TOTAL NET ASSETS	<u>3,527,220</u>	<u>3,742,919</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,621,206</u>	<u>\$ 4,946,338</u>

See accompanying notes.

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2017 AND 2016

	2017		Totals
	Unrestricted	Temporarily Restricted	
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Donated materials	\$ 536,000	\$ -	\$ 536,000
Contributions	94,140	20,613	114,753
Revenue			
Retail sales of donated materials	563,417	-	563,417
Membership dues and fees	131,268	-	131,268
Interest and dividends	12,636	-	12,636
Changes in assets held by			
The Philadelphia Foundation	(1,727)	1,727	-
Contribution to endowment fund	(118,477)	118,477	-
Unrealized gain (loss) on investments	43,779	-	43,779
Net assets released from restrictions	42,565	(42,565)	-
	<u>1,303,601</u>	<u>98,252</u>	<u>1,401,853</u>
<b>EXPENSES</b>			
Program service activities			
Thrift shop	986,264	-	986,264
Community outreach	151,864	-	151,864
Membership programs	128,580	-	128,580
Total program service activities expenses	<u>1,266,708</u>	<u>-</u>	<u>1,266,708</u>
Support			
National organization dues	32,766	-	32,766
Management and general	288,100	-	288,100
Fund-raising	29,978	-	29,978
TOTAL EXPENSES	<u>1,617,552</u>	<u>-</u>	<u>1,617,552</u>
CHANGE IN NET ASSETS	(313,951)	98,252	(215,699)
NET ASSETS AT BEGINNING OF YEAR	<u>3,520,159</u>	<u>222,760</u>	<u>3,742,919</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,206,208</u>	<u>\$ 321,012</u>	<u>\$ 3,527,220</u>

See accompanying notes.

2016		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 541,000	\$ -	\$ 541,000
92,405	32,909	125,314
572,831	-	572,831
130,639	-	130,639
11,865	-	11,865
2,428	(2,428)	-
1,725	(1,725)	-
(15,552)	-	(15,552)
<u>413,596</u>	<u>(413,596)</u>	<u>-</u>
<u>1,750,937</u>	<u>(384,840)</u>	<u>1,366,097</u>
966,402	-	966,402
13,436	-	13,436
123,244	-	123,244
<u>1,103,082</u>	<u>-</u>	<u>1,103,082</u>
32,805	-	32,805
265,705	-	265,705
52,379	-	52,379
<u>1,453,971</u>	<u>-</u>	<u>1,453,971</u>
296,966	(384,840)	(87,874)
<u>3,223,193</u>	<u>607,600</u>	<u>3,830,793</u>
<u>\$ 3,520,159</u>	<u>\$ 222,760</u>	<u>\$ 3,742,919</u>

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (215,699)	\$ (87,874)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	181,270	179,884
(Gain) loss on investments	(43,779)	15,552
(Increase) decrease in		
Value of assets held by		
The Philadelphia Foundation	(1,727)	2,428
Contributions and other receivables	(90)	942
Pledges receivable	57,511	115,624
Prepaid expenses	584	(835)
Increase (decrease) in		
Accounts payable and accrued expenses	13,650	(12,331)
Deferred membership dues and revenues	4,338	12,838
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(3,942)</u>	<u>226,228</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) sale of investments	4,210	(17,071)
Purchase of property and equipment	(72,151)	(490,850)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(67,941)</u>	<u>(507,921)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings (repayments) on long-term debt, net	(127,421)	143,264
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(199,304)	(138,429)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,029,036</u>	<u>1,167,465</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 829,732</u>	<u>\$ 1,029,036</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	\$ 38,482	\$ 42,936
Noncash transactions		
Contributed items for sale at thrift shop	\$ 536,000	\$ 541,000

See accompanying notes.

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE A - ORGANIZATION

The Junior League of Philadelphia, Inc. (the "League") is an organization of women committed to promoting volunteerism, developing the potential of women and improving communities through the effective action and leadership of trained volunteers. Its purpose is exclusively educational and charitable.

The League obtains substantially all of its revenues from dues charged to its members and the sale of donated materials through its thrift shop. The League uses these funds to support the community, including programming that creates a positive impact on health and wellness of adults and children in the Greater Philadelphia area. The League provides funding to community programs, as well as direct expenditures for other community programs managed by League members and volunteers.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been presented on the accrual basis of accounting.

#### **Use of 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 the reported amounts of 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. One of the estimates included in these financial statements is the valuation of inventory.

#### **Income Tax Status**

The League is exempted from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under Code Section 107(b)(1)(a) and has been classified as an organization other than a private foundation. The League's income tax returns are subject to examination by taxing authorities for a period of three years from the date the tax returns are filed.

#### **Classification of Net Assets**

The League is required to report information regarding its financial position and activities according to three categories of net assets depending on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.



# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements include only the following classes of net assets:

***Unrestricted*** - Unrestricted net assets are used to account for funds which have not been restricted by donors. Unrestricted net assets include funds that have been designated by the Board of Directors for the purpose of providing working capital for operations any time operating revenues fall below operating expenses.

***Temporarily Restricted*** - The League reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

#### **Investments and Beneficial Interest in Assets Held by The Philadelphia Foundation**

Investments and the beneficial interest in assets held by The Philadelphia Foundation are presented in the financial statements at fair market value.

#### **Promises to Give**

Contributions, including unconditional promises to give, are recorded as revenue in the period received. All contributions are considered available for unrestricted use unless specifically restricted by donor request. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promises become unconditional.

#### **Inventory**

Contribution of inventory is stated at estimated fair value. Contributions of materials for resale are recorded at estimated fair value on the dates of donations. The inventory measurement process considers fair value of contributed inventory to be the equivalent of cost of goods sold. This inventory is stated at the lower of cost (weighted average method) or market.

#### **Property and Equipment and Depreciation**

Property and equipment are stated at cost or, if contributed, at the related fair market value at the date of contribution. Depreciation is provided by the straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives are as follows:

	<u>Years</u>
Building and building improvements	35-39
Office and equipment	5
Furniture	5-7
Computer software	3

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

#### **Collections**

Collection items, consisting primarily of antique furniture and silver, acquired through purchases and contributions since the League's inception are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not recognized on the statements of activities.

#### **Deferred Membership Dues**

Deferred membership dues represent dues collected from members that pertain to the next fiscal year.

#### **Donated Materials**

The League receives donated materials consisting mostly of used clothing, furnishings and other personal effects from League members and the general public. These items are made available for sale in the League's thrift shop, the proceeds of which are used by the League towards funding its operations. Donated materials are recorded as public support at their estimated fair value based on recent sales of similar items (Level 2 input). The League recognized \$536,000 and \$541,000 during the years ended May 31, 2017 and 2016, respectively, for the donation of materials.

#### **Donated Services**

Donated services are recorded at the estimated fair value of the services received, which is a Level 2 input. The contributions of services are recognized if the services received (1) create or enhance a nonfinancial asset or (2) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. The League recognized no donated professional services in the fiscal years ended May 31, 2017 and 2016.

The League also receives a significant amount of donated services from unpaid volunteers who assist the League in its educational and charitable projects, the operation of its thrift shop and the management of the League. While the League could not sustain its operations without the time donated by its members, the value of this contributed time does not meet the above criteria for recognition of contributed services contained in current accounting standards and, accordingly, is not included in the accompanying statements of activities.

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenues

The League obtains substantially all of its revenues from dues charged to its members and the sale of donated materials through its thrift shop. Dues charged to members are recognized in the membership period for which the dues are paid. The sale of donated materials through its thrift store are recognized at the time of sale.

#### Advertising Costs

Advertising costs are charged to expense when incurred.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the League considers all investments purchased with a maturity of three months or less at the time of acquisition to be cash equivalents.

#### Date of Management's Review

Management has evaluated subsequent events through December 1, 2017, the date which the financial statements were available to be issued.

### NOTE C - FAIR VALUE

The League applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires the League to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the League's market assumptions. The three levels of fair value hierarchy are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets.
- Level 2 - 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; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to their fair value of the assets or liabilities.

**THE JUNIOR LEAGUE OF PHILADELPHIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2017 AND 2016**

---

**NOTE C - FAIR VALUE (Continued)**

The following are the major categories of assets measured at fair value on a recurring basis:

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Haverford Trust Company Bond Portfolio	\$ 157,209	\$ -	\$ -	\$ 145,738	\$ -	\$ -
Haverford Trust Company Stock Portfolio	320,179	-	-	292,081	-	-
Beneficial interest in assets held by The Philadelphia Foundation	-	29,207	-	-	27,480	-
Inventory	-	-	225,000	-	-	225,000
Pledges Receivable	-	-	27,261	-	-	85,132
	<u>\$ 477,388</u>	<u>\$ 29,207</u>	<u>\$ 252,261</u>	<u>\$ 437,819</u>	<u>\$ 27,480</u>	<u>\$ 310,132</u>

For the valuation of the Haverford Trust Company Bond and Stock Portfolios, the League used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of the beneficial interest in assets held by The Philadelphia Foundation, the League used significant other observable inputs, particularly the quoted price provided by The Philadelphia Foundation.

**NOTE D - PLEDGES RECEIVABLE**

Pledges receivable at May 31, 2017 and 2016, consist of the following:

	<u>2017</u>
	Due in
	1 Year
Pledges receivable	<u>\$ 27,621</u>

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

### NOTE D - PLEDGES RECEIVABLE (Continued)

	2016		Totals
	Due in 1 Year	Due in 2 to 5 Years	
Pledges receivable	\$ 73,673	\$ 15,460	\$ 89,133
Discount to net present value	<u>(2,834)</u>	<u>(1,167)</u>	<u>(4,001)</u>
	<u>\$ 70,839</u>	<u>\$ 14,293</u>	<u>\$ 85,132</u>

Pledges have been discounted at a 5.00% annual rate of interest. Pledges receivable are restricted in use for the purposes of headquarter renovations, community impact and member engagement and public relations, as outlined by the Centennial Capital Campaign. Assets are measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2017</u>	<u>2016</u>
<b>PLEDGES RECEIVABLE</b>		
Beginning balance	\$ 89,133	\$ 216,755
Pledge payments	<u>(61,512)</u>	<u>(127,622)</u>
<b>ENDING BALANCE</b>	<u>\$ 27,621</u>	<u>\$ 89,133</u>

### NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Building and building improvements	\$ 3,878,816	\$ 3,806,666
Furniture and equipment	206,174	206,174
Computer software	<u>23,485</u>	<u>23,485</u>
	4,108,475	4,036,325
Accumulated depreciation	<u>(1,087,592)</u>	<u>(906,323)</u>
	<u>\$ 3,020,883</u>	<u>\$ 3,130,002</u>

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE F - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Mortgage term loan with Wells Fargo Bank, due in monthly installments of \$5,764, including interest at 3.80% through July 2019, with a final payment of \$794,391 due in August 2019; beginning September 2014; collateralized by the mortgaged building	\$ 872,015	\$ 906,844
Mortgage term loan with Wells Fargo Bank, due in monthly installments of \$3,041, including interest at 3.80% through September 2019; beginning May 2016; collateralized by the mortgaged building	<u>84,094</u>	<u>176,686</u>
	956,109	1,083,530
Current portion	<u>(70,055)</u>	<u>(85,305)</u>
	<u>\$ 886,054</u>	<u>\$ 998,225</u>

Future maturities of long-term debt are as follows:

<u>Year Ending</u> <u>May 31,</u>	
2018	\$ 70,055
2019	72,792
2020	<u>813,262</u>
	<u>\$ 956,109</u>

Interest charged to expense was \$38,482 and \$42,936 for the years ended May 31, 2017 and 2016, respectively.

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE G - BENEFICIAL INTEREST IN ASSETS HELD BY THE PHILADELPHIA FOUNDATION

The League entered into an “Organizational Endowment Fund Agreement” (the “Agreement”) with The Philadelphia Foundation (the “Foundation”) (a community foundation) to establish The Junior League of Philadelphia, Inc. Endowment Fund (the “Fund”). The Fund is to be held by, and qualified as, a component part of the Foundation. The Foundation has variance power, and distributions to the League will be based on the Foundation’s spending policy (to be determined annually). The annual distribution is limited to the Foundation’s spending policy, which is currently 5% based on a 20 trailing quarter average. From the annual distribution, a 1% administrative fee is charged and 4% is distributed to the League.

During the years ended May 31, 2017 and 2016, the Foundation declared a distribution due to the League of \$1,095 and \$1,086, respectively.

In accordance with current accounting standards, the original asset transfer has been recognized as an increase in an asset account entitled, “beneficial interest in assets held by The Philadelphia Foundation,” in the statements of financial position. Subsequent changes in the value of that asset are recorded in the statements of activities as “changes in assets held by The Philadelphia Foundation.”

### NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Beneficial interest in assets held by The Philadelphia Foundation	\$ 29,207	\$ 27,480
Haverford endowment funds	271,192	152,715
Ramp improvement project	20,613	-
American Girl Approved Youth Programs	-	42,565
	<u>\$ 321,012</u>	<u>\$ 222,760</u>

# THE JUNIOR LEAGUE OF PHILADELPHIA, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2017 AND 2016

---

### NOTE H - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Net assets released from restrictions were comprised of the following components:

	<u>2017</u>	<u>2016</u>
American Girl Approved Youth Programs	\$ 42,565	\$ 27,860
Capital expenditures	<u>-</u>	<u>999,849</u>
	<u>\$ 42,565</u>	<u>\$ 1,027,709</u>

### NOTE I - CREDIT RISK ARISING FROM CASH DEPOSITS

The League maintains cash balances that at times exceed federally insured limits. The League has not experienced any losses in such accounts and does not anticipate any significant credit risk.