



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

Women building better communities®

Financial Statements

For the Year Ended June 30, 2009

(With Summarized Financial Information for the Year Ended June 30, 2008)



**and
Report Thereon**





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, 2009, 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, 2008 financial statements and, in our report dated October 1, 2008, 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, 2009, 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
August 25, 2009

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

June 30, 2009

(With Summarized Financial Information as of June 30, 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 381,079	\$ 472,101
Investments	5,615,895	5,596,855
Pledges receivable and accounts receivable, net of allowance for doubtful accounts of \$44,662 and \$75,693 for 2009 and 2008, respectively	47,544	107,113
Accrued investment interest receivable	400,762	363,630
Prepaid expenses	41,301	93,402
Inventory	151,457	158,983
Security deposits	76,444	76,444
Net property and equipment	345,074	402,282
TOTAL ASSETS	\$ 7,059,556	\$ 7,270,810
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 428,139	\$ 319,889
Accrued salaries and leave	206,791	218,853
Deferred revenue	72,207	65,537
Accrued pension cost	1,093,718	730,797
Deferred rent	224,077	209,232
Liability for loss on sublease	61,452	525,760
Security deposit on sublease	90,000	90,000
TOTAL LIABILITIES	2,176,384	2,160,068
Net Assets		
Unrestricted		
Undesignated	4,270,962	4,503,708
Board designated - Relocation Fund	379,528	392,636
Board designated - Disaster Fund	23,110	18,714
Total Unrestricted	4,673,600	4,915,058
Temporarily Restricted - Junior League Disaster Fund	81,606	67,725
Temporarily Restricted - Tribute Funds	35,770	36,138
Total Temporarily Restricted	117,376	103,863
Permanently Restricted - Tribute Funds	92,196	91,821
TOTAL NET ASSETS	4,883,172	5,110,742
TOTAL LIABILITIES AND NET ASSETS	\$ 7,059,556	\$ 7,270,810

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, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanentl Restricted	2009 Total	2008 Total
REVENUE AND SUPPORT					
Membership dues	\$ 5,400,506	\$ -	\$ -	\$ 5,400,506	\$ 5,538,713
Registration fees	951,719	-	-	951,719	976,517
Rental income	511,074	-	-	511,074	498,170
Investment income (loss)	266,015	(368)	-	265,647	305,383
Royalties and commissions	179,457	-	-	179,457	199,379
Cookbook and merchandise sales	157,724	-	-	157,724	183,223
Grants and contributions	80,229	13,881	375	94,485	351,040
In-kind contributions	59,200	-	-	59,200	57,936
Other revenue	38,910	-	-	38,910	36,402
TOTAL REVENUE AND SUPPORT	7,644,834	13,513	375	7,658,722	8,146,763
EXPENSES					
Program services	5,260,872	-	-	5,260,872	5,613,338
Supporting services	2,270,634	-	-	2,270,634	2,043,421
TOTAL EXPENSES	7,531,506	-	-	7,531,506	7,656,759
Change in Net Assets	113,328	13,513	375	127,216	490,004
Unrecognized actuarial loss	(354,786)	-	-	(354,786)	(531,680)
NET ASSETS, BEGINNING OF YEAR	4,915,058	103,863	91,821	5,110,742	5,152,418
NET ASSETS, END OF YEAR	\$ 4,673,600	\$ 117,376	\$ 92,196	\$ 4,883,172	\$ 5,110,742

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, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)

	Program Services				Supporting Services			2009 Total	2008 Total
	Leadership Development	Organizational Development	Shared Identity Program	Total Programs	Governance	Management and General	Total Supporting Services		
Salaries	\$ 341,051	\$ 752,429	\$ 363,103	\$ 1,456,583	\$ 58,549	\$ 737,102	\$ 795,651	\$ 2,252,234	\$ 2,217,349
Employee benefits	91,749	218,867	99,306	409,922	15,281	219,094	234,375	644,297	610,732
Total personnel costs	432,800	971,296	462,409	1,866,505	73,830	956,196	1,030,026	2,896,531	2,828,081
Travel and meetings	1,199,583	81,037	76,795	1,357,415	152,173	10,763	162,936	1,520,351	1,628,881
Professional services	193,134	109,503	314,068	616,705	49,065	445,995	495,060	1,111,765	1,082,018
Occupancy	110,769	356,686	155,124	622,579	24,658	327,600	352,258	974,837	960,994
Equipment rental and maintenance	23,775	60,441	30,191	114,407	4,175	73,158	77,333	191,740	156,347
Cost of goods sold	2,775	-	144,502	147,277	-	-	-	147,277	153,358
Printing	54,392	3,053	40,880	98,325	2,783	287	3,070	101,395	122,898
Office supplies	44,634	8,154	8,867	61,655	1,028	15,686	16,714	78,369	123,536
Postage and delivery	17,088	5,149	45,363	67,600	3,311	6,708	10,019	77,619	100,882
Awards	-	-	69,475	69,475	-	-	-	69,475	76,079
Other	21,485	4,846	3,503	29,834	-	29,042	29,042	58,876	110,517
Insurance	4,851	15,627	6,825	27,303	1,072	14,392	15,464	42,767	44,546
Communications	4,372	10,941	16,551	31,864	2,340	6,913	9,253	41,117	41,715
Registration and training fees	587	1,620	21,671	23,878	77	4,479	4,556	28,434	31,909
Subscriptions and publications	393	4,941	18,795	24,129	-	3,228	3,228	27,357	33,228
Total other than personnel costs	1,677,838	661,998	952,610	3,292,446	240,682	938,251	1,178,933	4,471,379	4,666,908
Total expenses before depreciation and amortization and provision for income tax	2,110,638	1,633,294	1,415,019	5,158,951	314,512	1,894,447	2,208,959	7,367,910	7,494,989
Depreciation and amortization	23,864	52,650	25,407	101,921	4,097	51,578	55,675	157,596	147,970
Provision for income tax	-	-	-	-	-	6,000	6,000	6,000	13,800
TOTAL EXPENSES	\$ 2,134,502	\$ 1,685,944	\$ 1,440,426	\$ 5,260,872	\$ 318,609	\$ 1,952,025	\$ 2,270,634	\$ 7,531,506	\$ 7,656,759

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, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)
Increase (Decrease) in Cash and Cash Equivalents

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 127,216	\$ 490,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrecognized actuarial loss	(354,786)	(531,680)
Provision for doubtful accounts receivable	(31,031)	13,926
Realized loss on investments	49,426	18,169
Unrealized (gain) loss on investments	(3,122)	41,591
Amortization of liability for loss on sublease	(464,308)	(184,308)
Depreciation and amortization	157,596	147,970
Changes in assets and liabilities:		
Pledges receivable and accounts receivable	90,600	10,454
Accrued investment interest receivable	(37,132)	(42,310)
Prepaid expenses	52,101	(63,144)
Inventory	7,526	7,101
Accounts payable and accrued expenses	108,250	(181,434)
Accrued salaries and leave	(12,062)	28,713
Deferred revenue	6,670	3,852
Accrued pension cost	362,921	481,952
Deferred rent	14,845	23,017
	<u>74,710</u>	<u>263,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	3,700,000	4,210,938
Acquisition of investments	(3,765,344)	(4,787,325)
Acquisition of property and equipment	(100,388)	(85,448)
	<u>(165,732)</u>	<u>(661,835)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(91,022)</u>	<u>(397,962)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	<u>(91,022)</u>	<u>(397,962)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>472,101</u>	<u>870,063</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 381,079</u></u>	<u><u>\$ 472,101</u></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 292 Junior Leagues in the United States, Canada, Mexico and the United Kingdom, which themselves have a combined membership of approximately 160,000 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, U.S. Government and agency obligations, an insurance annuity contract, mutual funds and money market funds 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. 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

Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and its provisions are to be applied prospectively. In accordance with SFAS No. 157, as of and for the year ended June 30, 2009, 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).

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.

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.

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

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

Fair Value of Financial Instruments (continued)

As of and for the year ended June 30, 2009, only the Association's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis and subject to SFAS No. 157.

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.

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.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

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. 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.

The Association incurred fundraising expenses totaling \$114,128 for the year ended June 30, 2009, consisting principally of salaries and benefits. Contributions received by the Association are largely from repeat donors or solicited through efforts by members of the Association's volunteer board of directors. Salaried employees of the Association did not expend significant effort for the solicitation of contributions during the year ended June 30, 2009 nor did the Association incur significant other costs specific to fundraising during the year ended June 30, 2009. Fundraising costs incurred are included in management and general expenses in the accompanying statement of functional expenses.

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 2008 amounts have been reclassified to conform with the 2009 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, 2009:

	<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	\$3,387,729	\$3,387,729	\$ -	\$ -
U.S. government and agency obligations	1,444,783	1,444,783	-	-
Annuity	447,316	-	447,316	-
Mutual funds	244,264	244,264	-	-
Money market funds	<u>91,803</u>	<u>91,803</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,615,895</u>	<u>\$5,168,579</u>	<u>\$ 447,316</u>	<u>\$ -</u>

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

	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$3,328,488	\$3,387,729
U.S. government and agency obligations	1,375,456	1,444,783
Annuity	411,063	447,316
Mutual funds	399,252	244,264
Money market funds	<u>91,803</u>	<u>91,803</u>
Total	<u>\$5,606,062</u>	<u>\$5,615,895</u>

Investment returns are summarized as follows:

Interest, dividend and capital gain dividend income	\$ 300,351
Realized loss	(49,426)
Unrealized gain	<u>3,122</u>
Total	<u>\$ 254,047</u>

Also included in investment income in the accompanying statement of activities is the interest earned on cash and cash equivalents in the amount of \$11,600 for the year ended June 30, 2009.

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment and Accumulated Depreciation and Amortization

The Association held the following property and equipment as of June 30, 2009:

Office furniture and equipment	\$ 606,953
Computer equipment and software	476,686
Leasehold improvements	<u>471,942</u>
Total	1,555,581
Less: Accumulated depreciation	<u>(1,210,507)</u>
Net property and equipment	<u>\$ 345,074</u>

Depreciation expense for the year ended June 30, 2009 was \$157,596.

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 investment income earned 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 on temporarily restricted net assets restricted for disaster relief efforts. None of these board designated funds were used during the year ended June 30, 2009. The Association does not consider either of its board designated funds to be quasi-endowment funds.

Temporarily Restricted Net Assets

Included in temporarily restricted net assets as of June 30, 2009 is \$81,606 of funds restricted by third party donors for disaster relief efforts. Earnings on these 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. Also included in temporarily restricted net assets as of June 30, 2009 is \$35,770 representing earnings on permanently restricted endowment funds as well as the earnings on unspent prior year investment returns on permanently restricted endowments. All such earnings 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.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

4. Net Assets (continued)

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, 2009:

Anne Dalton 25 th Anniversary Fund	\$ 68,608
Deborah L. Seidel Endowment for Program	11,794
Program Partnership Award Endowment Fund	<u>11,794</u>
Total	<u>\$ 92,196</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.

Endowments

The Association had the following endowment related activities for the year ended June 30, 2009:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>
Endowment net assets at June 30, 2008	\$ 91,821	\$ 36,138
Investment returns:		
Interest and dividends	-	1,567
Net depreciation (realized/unrealized)	<u>-</u>	<u>(1,935)</u>
Total investment return	-	(368)
Contributions	375	-
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>
Endowment net assets at June 30, 2009	<u>\$ 92,196</u>	<u>\$ 35,770</u>

Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

4. Net Assets (continued)

Endowments (continued)

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. This policy is in line with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) recently adopted by a number of states and currently under consideration by the New York State legislature. 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.

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 a semi-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.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

4. Net Assets (continued)

Endowments (continued)

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.

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 April 2012. 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 various financial institutions. 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, 2009, the amount in excess of the amount guaranteed by federal agencies was \$188,931.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

5. Commitments, Risks and Contingencies (continued)

Operating Leases

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, 2009 was \$294,309 and is included in occupancy expense in the accompanying statement of functional expenses.

In July 1999, the Association entered into an operating lease agreement for its prior office space in New York City. The lease commenced August 1999 and expires October 31, 2014. The lease contains an early termination option effective October 31, 2009 which management has exercised. The lease contains a fixed escalation clause for increases in the annual minimum rent over the term of the lease. Under accounting principles generally accepted in the United States of America, fixed rent increases are recognized as rent expense 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, 2009, exclusive of the Association's pro-rata share of property tax and other costs passed through by the landlord, was \$561,077 and is included in occupancy expense in the accompanying statement of functional expenses.

In June 2004, the Association entered into a sublease agreement for its prior office space in New York City. The sublease agreement commenced November 1, 2004 and expires October 30, 2009.

The Association recognized a loss of \$1,201,559 during the year ended June 30, 2004 representing the difference between the net present value of the future obligations under its original office space lease and the sublease rental income to be received under that lease. This amount is being amortized over the term of the lease. The unamortized balance as of June 30, 2009 is recorded as liability for loss on sublease in the accompanying statement of financial position.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

5. Commitments, Risks and Contingencies (continued)

Operating Leases (continued)

As of June 30, 2009, total future minimum lease payments required under each of these operating leases are as follows:

<u>For the Years Ending June 30,</u>	<u>Lease - Current Office Space</u>	<u>Lease - Prior Office Space</u>	<u>Total</u>
2010	\$ 290,374	\$ 199,167	\$ 489,541
2011	299,086	-	299,086
2012	308,058	-	308,058
2013	317,300	-	317,300
2014	326,819	-	326,819
Thereafter	<u>950,753</u>	<u>-</u>	<u>950,753</u>
Total future minimum lease payments	<u>\$ 2,492,390</u>	<u>\$ 199,167</u>	<u>\$2,691,557</u>

As of June 30, 2009, total future minimum rentals under the Association's sublease are \$120,000 for the year ending June 30, 2010.

Letter of Credit

In July 1999, the Association entered into a letter of credit agreement with a bank for \$260,000. This letter of credit serves as the Association's security deposit for its original office lease. The letter of credit renews annually through June 30, 2014 and is guaranteed by a portion of the Association's total investments in U.S. government obligations. As of and for the year ended June 30, 2009, the Association had no outstanding balance on this letter of credit.

6. Contributed Services and Materials

The Association received various donated products for use at its annual conference. Donated contributions of \$59,200 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, 2009.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan

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 defined benefit pension plan. The plan was terminated effective August 1, 2007 and benefit accruals for all participants ceased on July 31, 2007. The required steps necessary to formally terminate the plan and be able to distribute all plan assets are in process and the Association anticipates plan assets will be able to be distributed during the year ending June 30, 2010.

Pension expense for the year ended June 30, 2009 was determined under the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The measurement date for the following actuarial information was June 30, 2009.

Obligations and Funded Status

Projected benefit obligation at June 30, 2009	\$ 3,277,396
Fair value of plan assets at June 30, 2009	<u>2,183,678</u>
Funded status	<u>\$(1,093,718)</u>

Because the plan has been frozen, the accumulated benefit obligation as of June 30, 2009 of \$3,277,396 is the same as the projected benefit obligation.

Amounts recognized in the accompanying statement of financial position consist of the following as of June 30, 2009:

Accrued benefit cost	<u>\$ 1,093,718</u>
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Items not yet recognized as a component of net periodic pension cost and included in unrestricted net assets as of June 30, 2009 include the following:

Cumulative unrecognized actuarial loss	<u>\$ (886,466)</u>
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The amount of the unrecognized actuarial loss of \$886,466 expected to be included in net periodic benefit cost for the year ending June 30, 2010 is \$36,281.

Amounts recognized in the accompanying statement of activities consist of the following for the year ended June 30, 2009:

Net periodic benefit cost	<u>\$ 8,135</u>
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Continued

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Defined Benefit Plan (continued)

The net periodic benefit cost is included in employee benefits in the accompanying statement of functional expenses for the year ended June 30, 2009.

Contributions and benefits paid for the year ended June 30, 2009 were as follows:

Employer contributions	\$	--
Benefits paid	\$	62,327

Assumptions

Weighted average assumptions used in determining the benefit obligation as of June 30, 2009 and the net periodic benefit cost for the year then ended were as follows:

Discount rate	5.50%
Expected long-term return on plan assets	7.25%
Rate of compensation increase	N/A

The expected long term rate of return on plan assets assumption of 7.25% was selected using the “building block” approach described by the Actuarial Standards Board in *Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations*. Based on the Association’s investment policy for its pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.65% to 8.43%. A rate of 7.25%, within the best estimate range, was selected.

Plan Assets

The Association’s pension plan weighted average asset allocation as of June 30, 2009, by asset category, is as follows:

Equity	39.44%
General account	34.27%
Fixed income	<u>26.29%</u>
Total	<u>100.00%</u>

All of the Association’s pension plan assets are held by Mutual of America. The general account reflects assets held as part of Mutual of America’s general assets and is fully guaranteed by Mutual of America.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Defined Benefit Plan (continued)

Contributions

Generally, the Association's funding policy is to contribute annually the actuarially determined minimum funding amount in accordance with ERISA guidelines.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

For the Years Ending June 30,	
2010	\$ 1,274,000
2011	\$ 102,000
2012	\$ 319,000
2013	\$ 278,000
2014	\$ 278,000
2015 - 2019	\$ 773,000

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 immediately upon hiring to participate in the plan 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.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (continued)

Defined Contribution Plan (continued)

Pension expense for the year ended June 30, 2009 was approximately \$180,000 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.

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 a hotel and several car rental agencies based upon reservations 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 \$6,000 for the year ended June 30, 2009 and is included in the provision for income taxes in the accompanying statement of functional expenses.

In June 2006, the Financial Accounting Standards Board (FASB) issued SFAS Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is an interpretation of SFAS No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Any cumulative effect from the change in accounting principle resulting from the application of FIN 48 is to be recognized as an adjustment to opening net assets.

THE ASSOCIATION OF JUNIOR LEAGUES INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

8. **Income Taxes (continued)**

FASB Staff Position (FSP) FIN 48-3 was issued December 30, 2008 and allows non-public companies the option to elect to defer the application of FIN 48 to fiscal years beginning after December 15, 2008. The Association has elected this deferred application. The Association will adopt the provisions of FIN 48 during its year ending June 30, 2010. The Association reviews and assesses all ongoing 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. Management of the Association believes there will be no material impact to the Association's financial statements as a result of the adoption of FIN 48.

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, 2008, from which the summarized information was prepared.

10. **Subsequent Events**

The Association's management has evaluated subsequent events through August 25, 2009, the date the financial statements were available to be issued. There were no subsequent events identified through August 25, 2009 required to be disclosed in these financial statements.