

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Financial Statements**

**June 30, 2015 and 2014**

**(With Independent Auditors' Report Thereon)**

# NASHVILLE PUBLIC LIBRARY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Nashville Public Library Foundation:

We have audited the accompanying financial statements of Nashville Public Library Foundation, which are comprised of the statements of financial position as of June 30, 2015 and 2014, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 polices 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 Nashville Public Library Foundation as of June 30, 2015 and 2014, 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.

*LBMC, PC*

Brentwood, Tennessee  
January 20, 2016

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,601,879	\$ 3,029,137
Grants receivable	11,512	37,686
Contributions receivable, net	871,713	1,707,345
Prepaid expenses	10,430	10,332
Investments	8,706,046	8,134,086
Leasehold improvements and computer equipment, net	<u>4,117</u>	<u>6,338</u>
	<u>\$ 12,205,697</u>	<u>\$ 12,924,924</u>
<u>Liabilities and Net Assets</u>		
Liabilities - accounts payable	<u>\$ 136,754</u>	<u>\$ 180,028</u>
Net assets:		
Unrestricted:		
Board designated endowment	1,000,000	1,000,000
Undesignated	<u>1,478,342</u>	<u>1,352,351</u>
Total unrestricted	2,478,342	2,352,351
Temporarily restricted	5,229,800	6,542,074
Permanently restricted	<u>4,360,801</u>	<u>3,850,471</u>
Total net assets	<u>12,068,943</u>	<u>12,744,896</u>
Total liabilities and net assets	<u>\$ 12,205,697</u>	<u>\$ 12,924,924</u>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Activities

Years ended June 30, 2015 and 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Contributions and comprehensive campaign Fundraising events and annual campaign	\$ 138,472	\$ 883,121	\$ 510,330	\$ 1,531,923	\$ -	\$ 1,954,203	\$ -	\$ 1,954,203
Investment income (loss), net of investment fees of \$54,364 in 2015 and \$44,803 in 2014	1,066,090	-	-	1,066,090	815,807	-	-	815,807
Rental income	(49,035)	(29,184)	-	(78,219)	450,583	270,269	-	720,852
Change in net assets resulting from (satisfaction)/clarification of donor restrictions	63,785	-	-	63,785	63,164	-	-	63,164
	<u>2,166,211</u>	<u>(2,166,211)</u>	<u>-</u>	<u>-</u>	<u>1,946,328</u>	<u>(2,946,328)</u>	<u>1,000,000</u>	<u>-</u>
Total support and revenue	<u>3,385,523</u>	<u>(1,312,274)</u>	<u>510,330</u>	<u>2,583,579</u>	<u>3,275,882</u>	<u>(721,856)</u>	<u>1,000,000</u>	<u>3,554,026</u>
Expenses:								
Program services:								
Support to the Nashville Public Library	2,321,231	-	-	2,321,231	2,001,811	-	-	2,001,811
Supporting services:								
Management and general Fundraising	500,612	-	-	500,612	456,715	-	-	456,715
	<u>437,689</u>	<u>-</u>	<u>-</u>	<u>437,689</u>	<u>386,789</u>	<u>-</u>	<u>-</u>	<u>386,789</u>
Total expenses	<u>3,259,532</u>	<u>-</u>	<u>-</u>	<u>3,259,532</u>	<u>2,845,315</u>	<u>-</u>	<u>-</u>	<u>2,845,315</u>
Change in net assets	125,991	(1,312,274)	510,330	(675,953)	430,567	(721,856)	1,000,000	708,711
Net assets at beginning of year	2,352,351	6,542,074	3,850,471	12,744,896	1,921,784	7,263,930	2,850,471	12,036,185
Net assets at end of year	<u>\$ 2,478,342</u>	<u>\$ 5,229,800</u>	<u>\$ 4,360,801</u>	<u>\$ 12,068,943</u>	<u>\$ 2,352,351</u>	<u>\$ 6,542,074</u>	<u>\$ 3,850,471</u>	<u>\$ 12,744,896</u>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (675,953)	\$ 708,711
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	2,221	2,704
Contributions restricted for endowment	(481,146)	(1,270,268)
Realized and unrealized (gains) losses on investments	303,568	(576,971)
(Increase) decrease in:		
Grants receivable	26,174	90,678
Contributions receivable	835,632	(99,325)
Prepaid expenses	(98)	(1,945)
Decrease in:		
Accounts payable	(43,274)	(216,597)
Total adjustments	<u>643,077</u>	<u>(2,071,724)</u>
Net cash used by operating activities	<u>(32,876)</u>	<u>(1,363,013)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	7,859,038	847,125
Purchase of investments	<u>(8,734,566)</u>	<u>(1,718,075)</u>
Net cash used by investing activities	<u>(875,528)</u>	<u>(870,950)</u>
Cash flows from financing activities -		
Collections of contributions restricted for endowment	<u>481,146</u>	<u>1,270,268</u>
Decrease in cash and cash equivalents	(427,258)	(963,695)
Cash and cash equivalents at beginning of year	<u>3,029,137</u>	<u>3,992,832</u>
Cash and cash equivalents at end of year	<u>\$ 2,601,879</u>	<u>\$ 3,029,137</u>

See accompanying notes to the financial statements.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2015 and 2014

(1) Nature of operations

Nashville Public Library Foundation (the "Foundation") was organized in 1997 as a tax-exempt publicly supported charitable organization. The Foundation was formed to enhance and support the programs and facilities of the Nashville Public Library.

(2) Summary of significant accounting policies

The financial statements of the Foundation are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

(b) Cash equivalents

Cash and cash equivalents consist principally of checking account balances, cash held in a brokerage account, a money market account, and a certificate of deposit.

(c) Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

(d) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statements of financial position. Investment income shown in the statements of activities includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses.

Investment income is reported in the period earned as an increase in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions are met or expire in the year in which the income is recognized.

All other donor-restricted investment income is reported as an increase in temporarily restricted net assets depending on the nature of the restrictions. See Note 5 for discussion of fair value measurements.

(e) Leasehold improvements and computer equipment

Leasehold improvements and computer equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their estimated lives or the respective lease term. Computer equipment is generally depreciated over five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(f) Income taxes

The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

As of June 30, 2015, the Foundation has accrued no interest and no penalties related to uncertain tax positions. It is the Foundation's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Foundation files a U.S. Federal information tax return. The Foundation is currently open to audit under the statute of limitations by the Internal Revenue Service for fiscal years ending subsequent to June 30, 2011.

(g) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. Advertising costs of \$11,306 and \$73,155 were expensed during 2015 and 2014, respectively.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

(h) Donated assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

(i) Program and supporting services - functional allocation

The following program and supporting services are included in the accompanying financial statements:

Program services - includes activities carried out to fulfill the Foundation's mission to enhance and support the programs and facilities of the Nashville Public Library.

Supporting services:

Management and general - relates to the overall direction of the Foundation. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the Foundation. Specific activities include Foundation oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distributions of fundraising materials.

(j) Allocation of functional expenses

Expenses which can be directly attributed to a particular function are charged to the function. Certain costs have been allocated among two or more programs or activities benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

(k) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Events occurring after reporting date

The Foundation has evaluated events and transactions that occurred between June 30, 2015 and January 20, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

(3) Credit risk and other concentrations

Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation or the Security Investors Protection Corporation ("SIPC") up to \$250,000. The Foundation generally maintains accounts at financial institutions in excess of insured amounts. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to these accounts.

The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible for changes in the values of investment securities occurring in the near term and those changes could materially affect the amounts reported in the financial statements.

(4) Contributions receivable

During 2011, the Foundation initiated a five-year comprehensive campaign ("the Campaign") for the initial purpose of generating contributions from board members and others with close ties to the Foundation. In years subsequent to 2011, the Campaign has been expanded to target contributions from the general public as well. The contributions will be used for the purposes of funding and expanding current and future programs run by the Nashville Public Library and are reported as temporarily restricted net assets in the accompanying statements of financial position. A summary of total contributions receivable as of June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Temporarily restricted:		
Receivable in less than one year	\$ 385,595	\$ 1,050,186
Receivable in one to five years	<u>586,118</u>	<u>757,159</u>
Total contributions receivable	971,713	1,807,345
Less allowance for uncollectible contributions	<u>(100,000)</u>	<u>(100,000)</u>
Contributions receivable, net	\$ <u>871,713</u>	\$ <u>1,707,345</u>

(5) Investments and fair value measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2015 and 2014

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

- (i) *Mutual funds*: Valued at the net asset value of shares held by the Foundation at year end as reported on the active market on which the individual fund is traded.
- (ii) *Common and preferred stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- (iii) *Common trust funds*: Common trust funds are invested in separate trust funds which hold investments in a variety of investment instruments, including domestic governmental and corporate debt and equity securities, mutual funds, limited partnerships and foreign equity securities. The funds are valued at the net asset value of shares held based on the value of the underlying investments. The net asset value is determined monthly by the funds' manager, Diversified Trust Company, Inc. Units are issued and redeemed only at the most current month-end net asset value.
- (iv) *Certificates of deposit*: Valued at cost, which approximates fair market value.
- (v) *Contributions receivable*: Valued at the net realizable value of the contributions receivable outstanding at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015 and 2014:

	<u>2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 342,793	\$ -	\$ -	\$ 342,793
Balanced	3,796,111	-	-	3,796,111
Growth	239,818	-	-	239,818
Limited partnership	<u>237,061</u>	<u>-</u>	<u>-</u>	<u>237,061</u>
	<u>4,615,783</u>	<u>-</u>	<u>-</u>	<u>4,615,783</u>
Common/preferred stocks:				
Large cap	1,084,314	-	-	1,084,314
International	<u>186,164</u>	<u>-</u>	<u>-</u>	<u>186,164</u>
	1,270,478	-	-	1,270,478
Common trust funds	<u>-</u>	<u>2,819,785</u>	<u>-</u>	<u>2,819,785</u>
Total investments	5,886,261	2,819,785	-	8,706,046
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>871,713</u>	<u>871,713</u>
Total	<u>\$ 5,886,261</u>	<u>\$ 2,819,785</u>	<u>\$ 871,713</u>	<u>\$ 9,577,759</u>
	<u>2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 144,485	\$ -	\$ -	\$ 144,485
Balanced	2,034,155	-	-	2,034,155
Growth	937,399	-	-	937,399
Limited partnership	<u>476,394</u>	<u>-</u>	<u>-</u>	<u>476,394</u>
	<u>3,592,433</u>	<u>-</u>	<u>-</u>	<u>3,592,433</u>
Common/preferred stocks:				
Large cap	777,667	-	-	777,667
International	<u>156,392</u>	<u>-</u>	<u>-</u>	<u>156,392</u>
	934,059	-	-	934,059
Common trust funds	<u>-</u>	<u>3,304,059</u>	<u>-</u>	<u>3,304,059</u>
Certificates of deposit	<u>-</u>	<u>303,535</u>	<u>-</u>	<u>303,535</u>
Total investments	4,526,492	3,607,594	-	8,134,086
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>1,707,345</u>	<u>1,707,345</u>
Total	<u>\$ 4,526,492</u>	<u>\$ 3,607,594</u>	<u>\$ 1,707,345</u>	<u>\$ 9,841,431</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

The following table provides a summary of changes in fair value of the Foundation's Level 3 assets for the years ended June 30, 2015 and 2014:

Fair Value Measurements Using Significant  
Unobservable Inputs (Level 3)

	<u>Contributions receivable, net</u>
Balance at June 30, 2013	\$ 1,608,020
New contributions	1,849,330
Contribution payments received	<u>(1,750,005)</u>
Balance at June 30, 2014	1,707,345
New contributions	1,461,930
Contribution payments received	<u>(2,297,562)</u>
Balance at June 30, 2015	\$ <u>871,713</u>

(6) Investment income

The following schedule summarizes investment income in the statements of activities for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 279,713	\$ 188,684
Net gain on investments	(303,568)	576,971
Fees paid	<u>(54,364)</u>	<u>(44,803)</u>
	\$ <u>(78,219)</u>	\$ <u>720,852</u>

(7) Leasehold improvements and computer equipment

A summary of leasehold improvements and computer equipment as of June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 240,026	\$ 240,026
Computer equipment	<u>8,991</u>	<u>8,991</u>
	249,017	249,017
Accumulated depreciation	<u>(244,900)</u>	<u>(242,679)</u>
	\$ <u>4,117</u>	\$ <u>6,338</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

(8) Net assets

The Board of Directors has designated that certain types of support received are not to be used for current operating purposes. Such designation may be terminated at the discretion of the Board and does not represent donor restrictions. A summary of unrestricted net assets at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Board-designated for endowment	\$ 1,000,000	\$ 1,000,000
Undesignated	<u>1,478,342</u>	<u>1,352,351</u>
	<u>\$ 2,478,342</u>	<u>\$ 2,352,351</u>

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Comprehensive Campaign	\$ 2,016,141	\$ 2,693,659
Garden	597,140	672,875
Goodlettsville Branch	359,759	468,047
Grand Reading Room	221,320	280,132
Limitless Libraries	382,849	374,749
Nashville Room	393,140	474,267
Other programs	<u>1,259,451</u>	<u>1,578,345</u>
	<u>\$ 5,229,800</u>	<u>\$ 6,542,074</u>

(9) Endowments

The Foundation follows the Uniform Management of Institutional Funds Act of 1972 ("UMIFA") and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors ("Board") on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board has the ability to distribute as much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

During 2007, the state of Tennessee adopted the Tennessee Uniform Prudent Management of Institutional Funds Act ("TUPMIFA"). As prescribed by TUPMIFA, the Foundation intends 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in accordance with the terms of the donor agreement. In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund

<u>June 30, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 479,837	\$ 4,360,801	\$ 4,840,638
Board-designated endowment	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 479,837</u>	<u>\$ 4,360,801</u>	<u>\$ 5,840,638</u>
<u>June 30, 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 660,467	\$ 3,850,471	\$ 4,510,938
Board-designated endowment	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 660,467</u>	<u>\$ 3,850,471</u>	<u>\$ 5,510,938</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2015 and 2014

Changes in Endowment Net Assets for the Years Ended June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 30, 2013	\$ 1,000,000	\$ 457,155	\$ 2,850,471	\$ 4,307,626
Contributions	-	270,268	1,000,000	1,270,268
Investment income	103,019	-	-	103,019
Amounts appropriated for expenditure	<u>(103,019)</u>	<u>(66,956)</u>	<u>-</u>	<u>(169,975)</u>
Balance at June 30, 2014	1,000,000	660,467	3,850,471	5,510,938
Contributions	-	-	510,330	510,330
Investment loss	(9,344)	-	-	(9,344)
Amounts appropriated for expenditure	9,344	(151,446)	-	(142,102)
Other	<u>-</u>	<u>(29,184)</u>	<u>-</u>	<u>(29,184)</u>
Balance at June 30, 2015	<u>\$ 1,000,000</u>	<u>\$ 479,837</u>	<u>\$ 4,360,801</u>	<u>\$ 5,840,638</u>

Distributions from the endowments are made as determined by the Board of Directors to satisfy program objectives. Contributions received for all endowment funds are invested in accordance with the investment policy statement maintained by the Foundation. See below for the use of income resulting from significant endowment funds.

Board Designated Endowment

Income from the investments is transferred to the unrestricted fund balance and is used for special programs.

Bridgestone/Firestone Endowment

Income from the endowment is transferred to the Conference Center Fund (a temporarily restricted fund) and is used to purchase new equipment for the conference center and fund new art exhibits and programs in the Conference Center.

Jr. League Endowment

Income from the endowment is transferred to the Children's Department Fund (a temporarily restricted fund) and is used for Puppet Troupe expenses, summer reading programs, and other children's programs.

Turner Endowment

Income from the endowment is transferred to the Children's Department Fund (a temporarily restricted fund) and is used for Puppet Troupe expenses, summer reading programs, and other children's programs.

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Notes to the Financial Statements

June 30, 2015 and 2014

Wilson Endowment

Income from the endowment is transferred to the Wilson Fund (a temporarily restricted fund) and is used for art related programs and the purchase of art books.

Bredsen Endowment

Income from the investments is transferred to the unrestricted fund balance and is used for special programs.

MA Robinson Endowment

Income from the investments is transferred to the unrestricted fund balance and is used for special programs.

(10) Leases

Pursuant to a Commercial Lease Agreement, dated April 12, 2000, between The Metropolitan Development and Housing Agency, as lessor, and the Foundation, as lessee, the Foundation leases a portion of the downtown public library (the "Leased Space"), at a rental of \$1 per year. The lease terminates on July 1, 2098. A portion of the leased space is subleased to two unaffiliated organizations.

A summary of approximate future minimum sublease payments to be received as of June 30, 2015 is as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 66,000
2017	67,000
2018	<u>34,000</u>
	\$ <u>167,000</u>

(11) Donated services and supplies

Donated supplies and services included in the accompanying financial statements for the years ended June 30, 2015 and 2014 totaled \$69,993 and \$58,179, respectively.

(12) Related party transactions

The Foundation may obtain goods or services from individuals, companies or organizations affiliated with or owned, directly or indirectly, by members of the Board of Directors.

Contributions from board members amounted to approximately \$130,000 and \$183,000 in 2015 and 2014, respectively. The Foundation had pledges receivable from these board members amounting to approximately \$340,000 and \$467,000 at June 30, 2015 and 2014, respectively.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2015 and 2014

The Foundation grants certain funds to the Nashville Public Library for various projects which fulfill the Foundation's mission. Total gifts to the Library for the years ended June 30, 2015 and 2014 were approximately \$936,000 and \$1,015,000, respectively. The Foundation also provided support to certain libraries under the control of Metro Nashville government.

### (13) Fund with Community Foundation of Middle Tennessee

In August 2001, an individual established the Nashville Public Library Endowment Fund, an agency endowment fund with the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are designated for general operations and programs of the Foundation. Total funds held by the Community Foundation, which are excluded from the assets of the Foundation, amounted to \$952,176 and \$978,031 at June 30, 2015 and 2014, respectively. This fund distributed \$46,500 to the Foundation during 2015 and \$43,970 during 2014 and such amounts are included in temporarily restricted contributions.