

**NASHVILLE PUBLIC  
LIBRARY FOUNDATION**

**Financial Statements**

**June 30, 2011 and 2010**

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



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Financial Statements:</b>	
<b>Statements of Financial Position</b>	<b>2</b>
<b>Statements of Activities</b>	<b>3</b>
<b>Statements of Cash Flows</b>	<b>4</b>
<b>Notes to the Financial Statements</b>	<b>5 - 17</b>



**LATTIMORE BLACK MORGAN & CAIN, PC**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Nashville Public Library Foundation:

We have audited the accompanying statements of financial position of Nashville Public Library Foundation (the "Foundation") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 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 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 audits provide 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 Nashville Public Library Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
October 14, 2011

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Financial Position**

**June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,765,895	\$ 2,490,869
Contributions receivable, net	1,244,951	31,630
Prepaid expenses	2,572	13,555
Investments	6,548,269	5,706,240
Leasehold improvements and computer equipment, net	<u>2,497</u>	<u>5,271</u>
	\$ <u>10,564,184</u>	\$ <u>8,247,565</u>
<u>Liabilities and Net Assets</u>		
Liabilities -		
Accounts payable	\$ <u>31,470</u>	\$ <u>1,979</u>
Net assets:		
Unrestricted:		
Board designated endowment	1,000,000	1,000,000
Undesignated	<u>1,360,338</u>	<u>1,266,706</u>
Total unrestricted	2,360,338	2,266,706
Temporarily restricted	5,478,952	3,305,571
Permanently restricted	<u>2,693,424</u>	<u>2,673,309</u>
Total net assets	<u>10,532,714</u>	<u>8,245,586</u>
Total liabilities and net assets	\$ <u>10,564,184</u>	\$ <u>8,247,565</u>

See accompanying notes to the financial statements.

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Activities**

**Years ended June 30, 2011 and 2010**

	2011			2010			
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	
		Restricted	Restricted		Restricted	Restricted	Restricted
			Total			Total	
<b>Support and revenue:</b>							
Contributions	\$ 158,003	\$ 2,553,993	\$ 20,115	\$ 2,732,111	\$ 44,659	\$ 248,389	\$ 293,048
Fundraising events and annual campaign	658,543	-	-	658,543	719,611	-	719,611
Investment income, net of investment fees	536,241	464,833	-	1,001,074	49,843	126,532	264,902
of \$23,657 in 2011 and \$21,290 in 2010	45,886	-	-	45,886	32,212	-	32,212
Rental income							
Net assets released resulting							
from satisfaction of donor	845,445	(845,445)	-	-	751,655	(751,655)	-
restrictions							
<b>Total support and revenue</b>	<b>2,244,118</b>	<b>2,173,381</b>	<b>20,115</b>	<b>4,437,614</b>	<b>1,597,980</b>	<b>(376,734)</b>	<b>1,309,773</b>
<b>Expenses:</b>							
Program services:							
Support to the Nashville Public Library	1,260,611	-	-	1,260,611	820,057	-	820,057
Supporting services:							
Management and general	456,767	-	-	456,767	155,075	-	155,075
Fundraising	433,108	-	-	433,108	278,727	-	278,727
<b>Total expenses</b>	<b>2,150,486</b>	<b>-</b>	<b>-</b>	<b>2,150,486</b>	<b>1,253,859</b>	<b>-</b>	<b>1,253,859</b>
<b>Change in net assets</b>	<b>93,632</b>	<b>2,173,381</b>	<b>20,115</b>	<b>2,287,128</b>	<b>344,121</b>	<b>(376,734)</b>	<b>55,914</b>
<b>Net assets at beginning of year</b>	<b>2,266,706</b>	<b>3,305,571</b>	<b>2,673,309</b>	<b>8,245,586</b>	<b>1,922,585</b>	<b>3,682,305</b>	<b>8,189,672</b>
<b>Net assets at end of year</b>	<b>\$ 2,360,338</b>	<b>\$ 5,478,952</b>	<b>\$ 2,693,424</b>	<b>\$ 10,532,714</b>	<b>\$ 2,266,706</b>	<b>\$ 3,305,571</b>	<b>\$ 8,245,586</b>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>2,287,128</u>	\$ <u>55,914</u>
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation expense	5,349	5,252
Provision for bad debts	50,000	-
Realized and unrealized gains on investments	(823,795)	(144,858)
Increase (decrease) in:		
Contributions receivable	(1,263,321)	98,065
Prepaid expenses	10,983	(13,555)
Increase (decrease) in:		
Accounts payable	<u>29,491</u>	<u>(69,558)</u>
Total adjustments	<u>(1,991,293)</u>	<u>(124,654)</u>
Net cash provided by (used by) operating activities	<u>295,835</u>	<u>(68,740)</u>
<b>Cash flows from investing activities:</b>		
Purchase of leasehold improvements	(2,575)	-
Proceeds from sale of investments	680,752	832,230
Purchase of investments	<u>(698,986)</u>	<u>(3,558,326)</u>
Net cash used by investing activities	<u>(20,809)</u>	<u>(2,726,096)</u>
Increase (decrease) in cash and cash equivalents	275,026	(2,794,836)
Cash and cash equivalents at beginning of year	<u>2,490,869</u>	<u>5,285,705</u>
Cash and cash equivalents at end of year	\$ <u><u>2,765,895</u></u>	\$ <u><u>2,490,869</u></u>

See accompanying notes to the financial statements.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

(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) Recently adopted accounting standards

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and to present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009. The Foundation adopted ASU 2010-06 for the year ending June 30, 2011. The adoption did not effect the Foundation's net assets or its changes in net assets, as changes are related to the fair value measurement disclosures.

(b) 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.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

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.

(c) 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.

(d) 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.

(e) 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 6 for discussion of fair value measurements.

(f) 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.



# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

(g) 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, 2011, 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 the years ending after June 30, 2007.

(h) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. Advertising costs of \$50,315 were expensed during 2011. No advertising costs were incurred during 2010.

(i) Donated assets

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

(j) Collections

Collection items acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from deaccessions or insurance recoveries are reflected in the statement of activities based on the absence or existence and nature of donor-imposed restrictions.

(k) 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.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

**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.

(l) **Allocation of functional expenses**

Expenses that can be directly attributed to a particular function are charged to that 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.

(m) **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.

(n) **Events occurring after reporting date**

The Foundation has evaluated events and transactions that occurred between June 30, 2011 and October 14, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(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 that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

(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 future years, the Campaign will be 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. Contributions receivable generated from the Campaign comprised approximately 98% of total gross contributions receivable as of June 30, 2011. A summary of total contributions receivable as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Temporarily restricted:		
Receivable in less than one year	\$ 1,069,320	\$ 19,450
Receivable in one to five years	<u>250,000</u>	<u>12,180</u>
<b>Total contributions receivable</b>	<b>1,319,320</b>	<b>31,630</b>
Less discount to net present value	<u>(24,369)</u>	<u>-</u>
<b>Subtotal</b>	<b>1,294,951</b>	<b>31,630</b>
Less allowance for uncollectible contributions	<u>(50,000)</u>	<u>-</u>
<b>Contributions receivable, net</b>	<b><u>\$ 1,244,951</u></b>	<b><u>\$ 31,630</u></b>

The discount rate used to determine the present value of contributions receivable is 1.39%.

(5) Investments

A summary of investments as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 3,756,124	\$ 3,114,280
Common/preferred stocks	1,272,083	1,012,341
Certificates of deposit	1,050,000	1,050,000
Corporate bonds	177,145	251,765
Hedge funds	<u>292,917</u>	<u>277,854</u>
	<b><u>\$ 6,548,269</u></b>	<b><u>\$ 5,706,240</u></b>

The following schedule summarizes the investment income in the statements of activities for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 200,936	\$ 141,334
Net gain on investments	823,795	144,858
Fees paid	<u>(23,657)</u>	<u>(21,290)</u>
	<b><u>\$ 1,001,074</u></b>	<b><u>\$ 264,902</u></b>

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

### (6) Fair value measurements

FASB ASC 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.**

**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, 2011 and 2010.

- (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) *Certificates of deposit*: Valued at cost, which approximates fair market value.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2011 and 2010

- (iv) *Corporate bonds:* Valued using observable inputs including benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency.
- (v) *Hedge funds:* The Foundation invests in funds that use derivative financial instruments to hedge against adverse changes in interest rates and foreign exchange rates. The underlying investments of the derivative funds are valued by the custodian based on the last prior sales price on the principal board of trade or other contracts market or by quotations from the contra party bank.
- (vi) *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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011 and 2010:

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual funds:</b>				
Fixed income	\$ 1,396,640	\$ -	\$ -	\$ 1,396,640
Balanced	694,117	-	-	694,117
Growth	<u>1,665,367</u>	<u>-</u>	<u>-</u>	<u>1,665,367</u>
	<u>3,756,124</u>	<u>-</u>	<u>-</u>	<u>3,756,124</u>
<b>Common/preferred stocks:</b>				
Large cap	1,106,304	-	-	1,106,304
Small cap	119,984	-	-	119,984
International	<u>45,795</u>	<u>-</u>	<u>-</u>	<u>45,795</u>
	<u>1,272,083</u>	<u>-</u>	<u>-</u>	<u>1,272,083</u>
Certificates of deposit	-	1,050,000	-	1,050,000
Corporate bonds	-	177,145	-	177,145
Hedge funds	-	-	292,917	292,917
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>1,244,951</u>	<u>1,244,951</u>
<b>Total</b>	<u>\$ 5,028,207</u>	<u>\$ 1,227,145</u>	<u>\$ 1,537,868</u>	<u>\$ 7,793,220</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2011 and 2010

	<u>2010</u>			
<b>Mutual funds:</b>				
Fixed income	\$ 1,402,767	\$ -	\$ -	\$ 1,402,767
Balanced	492,115	-	-	492,115
Growth	<u>1,219,398</u>	<u>-</u>	<u>-</u>	<u>1,219,398</u>
	<u>3,114,280</u>	<u>-</u>	<u>-</u>	<u>3,114,280</u>
<b>Common/preferred stocks</b>				
Large cap	908,922	-	-	908,922
Small Cap	64,484	-	-	64,484
International	<u>38,935</u>	<u>-</u>	<u>-</u>	<u>38,935</u>
	<u>1,012,341</u>	<u>-</u>	<u>-</u>	<u>1,012,341</u>
Certificates of deposit	-	1,050,000	-	1,050,000
Corporate bonds	-	251,765	-	251,765
Hedge funds	-	-	277,854	277,854
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>31,630</u>	<u>31,630</u>
<b>Total</b>	<u>\$ 4,126,621</u>	<u>\$ 1,301,765</u>	<u>\$ 309,484</u>	<u>\$ 5,737,870</u>

The following table provides a summary of changes in fair value of the Foundation's Level 3 assets for the years ended June 30, 2011 and 2010:

**Fair Value Measurements Using Significant  
Unobservable Inputs (Level 3)**

	<u>Hedge funds</u>	<u>Contributions receivable, net</u>	<u>Total</u>
Balance at June 30, 2009	\$ 262,574	\$ 129,695	\$ 392,269
Unrealized gains	15,280	-	15,280
New contributions	-	2,000	2,000
Contribution payments received	-	(102,320)	(102,320)
Decrease in contribution discount	<u>-</u>	<u>2,255</u>	<u>2,255</u>
Balance at June 30, 2010	277,854	31,630	309,484
Unrealized gains	15,063	-	15,063
New contributions	-	2,381,500	2,381,500
Contribution payments received	-	(1,093,810)	(1,093,810)
Contributions reserved/written off	-	(50,000)	(50,000)
Increase in contribution discount	<u>-</u>	<u>(24,369)</u>	<u>(24,369)</u>
Balance at June 30, 2011	<u>\$ 292,917</u>	<u>\$ 1,244,951</u>	<u>\$ 1,537,868</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2011 and 2010

(7) Leasehold improvements and computer equipment

A summary of leasehold improvements and computer equipment as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 231,787	\$ 229,212
Computer equipment	<u>8,991</u>	<u>8,991</u>
	240,778	238,203
Accumulated depreciation	<u>(238,281)</u>	<u>(232,932)</u>
	\$ <u>2,497</u>	\$ <u>5,271</u>

(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, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Board-designated for endowment	\$ 1,000,000	\$ 1,000,000
Undesignated	<u>1,360,338</u>	<u>1,266,706</u>
	\$ <u>2,360,338</u>	\$ <u>2,266,706</u>

Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Specific program reserves	\$ <u>5,478,952</u>	\$ <u>3,305,571</u>

(9) Endowments

The Foundation's endowments consist of nine individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2011 and 2010

During 2007, the state of Tennessee adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). As prescribed by UPMIFA, 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 as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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, 2011</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ -	\$ 2,693,424	\$ 2,693,424
Board-designated endowment	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
<b>Total</b>	<b>\$ <u>1,000,000</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,693,424</u></b>	<b>\$ <u>3,693,424</u></b>

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ -	\$ 2,673,039	\$ 2,673,039
Board-designated endowment	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
<b>Total</b>	<b>\$ <u>1,000,000</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,673,039</u></b>	<b>\$ <u>3,673,039</u></b>



NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2011 and 2010

Changes in Endowment Net Assets for the Years Ended June 30, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 30, 2009	\$ 450,000	\$ -	\$ 2,584,782	\$ 3,034,782
Designated by Board for endowment	550,000	-	-	550,000
Investment gain	<u>-</u>	<u>-</u>	<u>88,527</u>	<u>88,527</u>
Balance at June 30, 2010	1,000,000	-	2,673,309	3,673,309
Investment gain	<u>-</u>	<u>-</u>	<u>20,115</u>	<u>20,115</u>
Balance at June 30, 2011	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 2,693,424</u>	<u>\$ 3,693,424</u>

Distributions from the endowments are made as determined by the Board of Directors to satisfy program objectives described in Note 2(b). The investment strategy and purpose for each of the Foundation's endowment funds is as follows:

Board Designated Endowment

Contributions received for the Board Designated Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement maintained by the Foundation. Income from the investments is transferred to the unrestricted fund balance and is used for special programs.

Bridgestone/Firestone Endowment

Contributions received for the Bridgestone/Firestone Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments 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.

Links Endowment

Contributions received for the Links Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to the Bordeaux Branch Fund (a temporarily restricted fund) and is used to enhance the available collections and programming at the Bordeaux branch.

Jr. League Endowment

Contributions received for the Jr. League Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments 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.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

### General Endowment

Contributions received for the General Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to unrestricted net assets and is used as needed for new programs.

### Wilson Endowment

Contributions received for the Wilson Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to the Wilson Fund (a temporarily restricted fund) and is used for art related programs and the purchase of art books.

### Caroline's Collection Endowment

Contributions received for the Caroline's Collection Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to the Caroline's Collection Fund (a temporarily restricted fund) and is used to purchase children's books for the children's department.

### Adult Programming Endowment

Contributions received for the Adult Programming Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to the Adult Program Fund (a temporarily restricted fund) and is used to fund new literary programs for adults.

### Beasley Endowment

Contributions received for the Beasley Endowment Fund are invested in marketable securities and equity securities in accordance with the investment policy statement. Income from the investments is transferred to the Books Fund (a temporarily restricted fund) and used to purchase special books.

## (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, 2008. A portion of the leased space is subleased to two unaffiliated organizations. Approximate future minimum lease income to be received under the subleases as of June 30, 2011 are as follows: \$54,000 in 2012 and \$25,000 in 2013.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2011 and 2010

(11) Related party transactions

Cash and investments of approximately \$7.3 million and \$6.4 million as of June 30, 2011 and 2010, respectively, were held in various accounts with financial institutions and their affiliates of which certain Board members are senior officers. The Foundation paid \$23,657 and \$21,290 in investment fees related to investment management in 2011 and 2010, respectively.

Contributions from board members amounted to approximately \$367,000 and \$138,000 in 2011 and 2010, respectively. The Foundation had pledges receivable from these board members amounting to approximately \$350,000 and \$25,000 at June 30, 2011 and 2010, respectively.

(12) 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 \$940,315 at June 30, 2011 and \$819,981 at June 30, 2010. This fund distributed \$39,200 to the Foundation during 2011 and \$46,500 during 2010 and such amounts are included in temporarily restricted contributions.