

NASHVILLE PUBLIC LIBRARY FOUNDATION

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

LBMC

**MAKE A GOOD
BUSINESS BETTER**

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Public Library Foundation as of June 30, 2019 and 2018, 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
October 14, 2019

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Financial Position

June 30, 2019 and 2018

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,146,519	\$ 1,203,349
Contributions receivable, net	1,196,088	624,518
Prepaid expenses	6,000	12,995
Investments	11,387,513	10,539,692
Leasehold improvements and computer equipment, net	<u>8,714</u>	<u>960</u>
	<u>\$ 14,744,834</u>	<u>\$ 12,381,514</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 168,737	\$ 162,830
Accrued expenses	<u>23,980</u>	<u>32,507</u>
Total liabilities	<u>192,717</u>	<u>195,337</u>
Net assets:		
Net assets without donor restrictions:		
Board designated endowment	1,014,468	1,000,000
Undesignated	<u>3,212,180</u>	<u>3,141,376</u>
Total net assets without donor restrictions	4,226,648	4,141,376
Net assets with donor restrictions	<u>10,325,469</u>	<u>8,044,801</u>
Total net assets	<u>14,552,117</u>	<u>12,186,177</u>
Total liabilities and net assets	<u>\$ 14,744,834</u>	<u>\$ 12,381,514</u>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Activities

Years ended June 30, 2019 and 2018

	<u>2019</u>			<u>2018</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Contributions	\$ 189,426	\$ 4,528,327	\$ 4,717,753	\$ 796,048	\$ 2,319,243	\$ 3,115,291
Gala, net of expenses	505,664	-	505,664	557,798	-	557,798
Investment return, net of expenses	805,943	(97,203)	708,740	316,481	213,464	529,945
Rental income	65,809	-	65,809	66,349	-	66,349
Net assets released from restrictions	2,150,456	(2,150,456)	-	2,358,978	(2,358,978)	-
Total support and revenue	3,717,298	2,280,668	5,997,966	4,095,654	173,729	4,269,383
Expenses:						
Program services:						
Support to the Nashville Public Library	2,665,869	-	2,665,869	2,359,418	-	2,359,418
Supporting services:						
Management and general	363,382	-	363,382	318,036	-	318,036
Fundraising	602,775	-	602,775	599,207	-	599,207
Total expenses	3,632,026	-	3,632,026	3,276,661	-	3,276,661
Change in net assets	85,272	2,280,668	2,365,940	818,993	173,729	992,722
Net assets at beginning of year	4,141,376	8,044,801	12,186,177	3,322,383	7,871,072	11,193,455
Net assets at end of year	\$ 4,226,648	\$ 10,325,469	\$ 14,552,117	\$ 4,141,376	\$ 8,044,801	\$ 12,186,177

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statement of Functional Expenses

Year ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Leased Employee Expenses	\$ 732,312	\$ 209,476	\$ 449,172	\$ 1,390,960
Professional Fees	347,521	77,033	24,197	448,751
Program Supplies	1,171,402	2,495	-	1,173,897
Office Supplies & Equipment	49,490	11,869	2,951	64,310
Events & Celebrations	85,966	-	31,433	117,399
Marketing & Promotions	100,755	18,672	18,672	138,099
Printing	45	-	18,811	18,856
Postage	484	-	3,587	4,071
Meetings	656	5,211	1,172	7,039
Donor Stewardship	-	-	7,468	7,468
Professional Development	44,961	2,908	6,785	54,654
Dues & Subscriptions	-	5,555	12,964	18,519
Telephone	-	1,320	2,460	3,780
Travel & Mileage	104,313	1,763	5,640	111,716
Occupancy	27,964	18,720	4,208	50,892
Taxes & Fees	-	5,656	9,710	15,366
In-Kind Expense	-	-	3,545	3,545
Depreciation Expense	-	2,704	-	2,704
Total expenses	<u>\$ 2,665,869</u>	<u>\$ 363,382</u>	<u>\$ 602,775</u>	<u>\$ 3,632,026</u>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,365,940	\$ 992,722
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,704	963
Contributions restricted for endowment	(139,200)	(1,123,824)
Realized and unrealized (gains) losses on investments	(534,379)	(334,586)
(Increase) decrease in:		
Accounts receivable	-	1,013
Contributions receivable	(571,570)	(32,627)
Prepaid expenses	6,995	37,688
Increase (decrease) in:		
Accounts payable	5,907	(24,206)
Accrued expenses	(8,527)	32,507
Total adjustments	<u>(1,238,070)</u>	<u>(1,443,072)</u>
Net cash provided (used) by operating activities	<u>1,127,870</u>	<u>(450,350)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	9,383,039	865,897
Purchase of investments	(9,696,481)	(1,460,414)
Purchase of leasehold improvements	<u>(10,458)</u>	<u>-</u>
Net cash used by investing activities	<u>(323,900)</u>	<u>(594,517)</u>
Cash flows from financing activities -		
Collections of contributions restricted for endowment	<u>139,200</u>	<u>1,123,824</u>
Increase in cash and cash equivalents	943,170	78,957
Cash and cash equivalents at beginning of year	<u>1,203,349</u>	<u>1,124,392</u>
Cash and cash equivalents at end of year	<u>\$ 2,146,519</u>	<u>\$ 1,203,349</u>

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

(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 ("NPL").

(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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - 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 or 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 net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

(b) Cash equivalents

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

(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, 2019 and 2018

(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 return 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 net assets without donor restrictions 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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restrictions. See Note 6 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 or amortization is 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, 2019 and 2018, 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.

(g) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

(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 NPL.

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 are allocated among two or more activities based on management's estimates of time and effort included for each program or supporting function.

(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.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

(l) New accounting pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-04, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes certain presentation and disclosure requirements of not-for-profit entities. The primary changes are a reduction in the number of net asset classes from three to two (donor restricted and non-donor restricted), reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring enhanced disclosures about how a not-for-profit entity manages its liquidity and requiring reporting of expenses by functional and natural classification, as well as enhanced endowment disclosures. This standard is effective for fiscal years beginning after December 15, 2017 and was adopted by the Foundation for fiscal year 2019.

(m) New accounting pronouncement, not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ("ASU 2014-09") which will eliminate the transaction and industry-specific revenue recognition guidance under current GAAP and replace it with a principles-based approach. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 may be applied retrospectively to each period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of the transition. Management of the Foundation is currently evaluating the impact adoption of ASU 2014-09 will have on its financial statements and disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for the Foundation's fiscal year beginning July 1, 2020 for transactions in which the Foundation serves as a resource recipient, and for its fiscal year beginning July 1, 2021, for transactions in which the Foundation serves as a resource provider. Early adoption is permitted.

(n) Events occurring after reporting date

Management of the Foundation has evaluated events and transactions that occurred between June 30, 2019 and October 14, 2019, 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, 2019 and 2018

(o) Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order for them to conform to the 2019 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(3) Liquidity and availability

As of June 30, 2019, the Foundation has \$2,146,519 of cash, \$202,000 of contributions receivable within one year, and \$3,525,979 of investments without donor restrictions or board designation available for general expenditures within one year of the statement of financial position date. The Foundation has \$1,000,000 of investments without donor restriction that have been designated by the Board of Directors for endowment; however, the designation could be removed and the investments liquidated if the need arose. The Foundation has unfunded commitments of \$400,000 for certain investments (Note 6) that could be required to be remitted by the Foundation within one year of the statement of financial position date.

(4) Credit risk and other concentrations

Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation or the Security Investors Protection Corporation 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.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

(5) Contributions receivable

Contributions are used for the purposes of funding and expanding current and future programs run by the NPL and gifts to endowment. These contributions are reported as either net assets with donor restrictions or without donor restrictions in the accompanying statements of financial position based on the absence or presence of donor restrictions. A summary of total contributions receivable as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Receivable in less than one year	\$ 202,000	\$ 242,209
Receivable in one to five years	<u>90,000</u>	<u>196,233</u>
Total without donor restrictions contributions receivable	<u>292,000</u>	<u>438,442</u>
With donor restrictions:		
Receivable in less than one year	537,148	235,477
Receivable in one to five years	<u>433,150</u>	<u>34,999</u>
Total with donor contributions receivable	<u>1,262,298</u>	<u>708,918</u>
Less allowance for uncollectible contributions	<u>(66,210)</u>	<u>(84,400)</u>
Contributions receivable, net	<u>\$ 1,196,088</u>	<u>\$ 624,518</u>

(6) Investments and fair value measurements

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.

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.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018.

- (i) *Money market and 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. The majority of the funds do not have withdrawal restrictions. The Foundation had unfunded commitments totaling approximately \$400,000 related to these investments as of June 30, 2019. These unfunded commitments represent money that could be required to be remitted by the Foundation at any time based on a legally enforceable agreement and at the discretion of the management of the funds.
- (iv) *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, 2019 and 2018

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019 and 2018:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ <u>248,755</u>	\$ -	\$ -	\$ <u>248,755</u>
Mutual funds:				
Fixed income	202,345	-	-	202,345
Equity	623,096	-	-	623,096
Balanced	2,328,697	-	-	2,328,697
Growth	2,919,509	-	-	2,919,509
Value	1,146,387	-	-	1,146,387
Bond	<u>2,894,175</u>	-	-	<u>2,894,175</u>
	<u>10,114,209</u>	-	-	<u>10,114,209</u>
Common trust funds	-	<u>1,024,549</u>	-	<u>1,024,549</u>
Total investments	10,362,964	1,024,549	-	11,387,513
Contributions receivable, net	-	-	<u>1,196,088</u>	<u>1,196,088</u>
Total	<u>\$ 10,362,964</u>	<u>\$ 1,024,549</u>	<u>\$ 1,196,088</u>	<u>\$ 12,583,601</u>

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ <u>135,990</u>	\$ -	\$ -	\$ <u>135,990</u>
Mutual funds:				
Fixed income	566,835	-	-	566,835
Balanced	3,006,167	-	-	3,006,167
Limited partnership	<u>689,085</u>	-	-	<u>689,085</u>
	<u>4,262,087</u>	-	-	<u>4,262,087</u>
Common/preferred stocks:				
Large cap	1,014,570	-	-	1,014,570
International	<u>498,325</u>	-	-	<u>498,325</u>
	1,512,895	-	-	1,512,895
Common trust funds	-	<u>4,628,720</u>	-	<u>4,628,720</u>
Total investments	5,910,972	4,628,720	-	10,539,692
Contributions receivable, net	-	-	<u>624,518</u>	<u>624,518</u>
Total	<u>\$ 5,910,972</u>	<u>\$ 4,628,720</u>	<u>\$ 624,518</u>	<u>\$ 11,164,210</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

The following table provides a summary of changes in fair value of the Foundation's Level 3 assets for the years ended June 30, 2019 and 2018:

Fair Value Measurements Using Significant
Unobservable Inputs (Level 3)

	<u>Contributions receivable, net</u>
Balance at June 30, 2017	\$ 591,891
New contributions	626,510
Contribution payments received	(609,483)
Change in allowance for uncollectible contributions	<u>15,600</u>
Balance at June 30, 2018	624,518
New contributions	1,440,626
Contribution payments received	(887,246)
Change in allowance for uncollectible contributions	<u>18,190</u>
Balance at June 30, 2019	<u>\$ 1,196,088</u>

(7) Leasehold improvements and computer equipment

A summary of leasehold improvements and computer equipment as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 254,334	\$ 243,876
Computer equipment	<u>8,991</u>	<u>8,991</u>
	263,325	252,867
Accumulated depreciation and amortization	<u>(254,611)</u>	<u>(251,907)</u>
	<u>\$ 8,714</u>	<u>\$ 960</u>

(8) Net assets

The Board 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 do not represent donor restrictions.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
General program funds	\$ 172,856	\$ 138,450
Children	285,583	357,835
Teens	260,247	455,228
Community	156,918	43,992
Collections	2,907,494	657,876
Lifelong Learning	75,498	76,832
Other programs	<u>305,915</u>	<u>292,830</u>
	<u>4,164,511</u>	<u>2,023,043</u>
Endowment subject to spending policy and appropriation:		
Bridgestone/Firestone Endowment	500,000	500,000
Jr. League Endowment	400,000	400,000
Turner Endowment	1,500,000	1,500,000
Wilson Endowment	500,000	500,000
Bredesen Endowment	1,000,000	1,000,000
MA Robinson	1,284,190	1,149,990
Courtyard	520,000	520,000
Other Endowments	<u>456,768</u>	<u>451,768</u>
	<u>6,160,958</u>	<u>6,021,758</u>
	<u>\$ 10,325,469</u>	<u>\$ 8,044,801</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 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 with donor restrictions are classified as without donor restrictions for financial statement purposes.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2019 and 2018

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

Changes in Endowment Net Assets for the Years Ended June 30, 2019 and 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance at June 30, 2017	\$ 1,000,000	\$ 4,960,053	\$ 5,960,053
Contributions	-	1,123,824	1,123,824
Investment gain	55,798	-	55,798
Amounts appropriated for expenditure	(55,798)	(124,218)	(180,016)
Other	-	644,943	644,943
Balance at June 30, 2018	1,000,000	6,604,602	7,604,602
Contributions	-	139,200	139,200
Investment gain	65,561	289,006	354,567
Amounts appropriated for expenditure	(51,093)	(171,273)	(222,366)
Balance at June 30, 2019	<u>\$ 1,014,468</u>	<u>\$ 6,861,535</u>	<u>\$ 7,876,003</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.

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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 and other children's programs.

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.

Bredesen 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.

Courtyard Endowment

Income from the endowment is used to pay for maintenance and capital improvements to the Robertson Courtyard.

(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 an unaffiliated organization. As of June 30, 2019, the Foundation is scheduled to receive approximately \$62,000 and \$31,000 in sublease payments during the fiscal years ending on June 30, 2020 and 2021, respectively.

NASHVILLE PUBLIC LIBRARY FOUNDATION

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June 30, 2019 and 2018

(11) Donated services and supplies

Donated supplies and services included in the accompanying financial statements for the years ended June 30, 2019 and 2018 totaled \$3,545 and \$28,844, 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.

Contributions from board members amounted to approximately \$295,000 and \$112,000 in 2019 and 2018, respectively. The Foundation had pledges receivable from these board members amounting to approximately \$281,000 and \$146,000 at June 30, 2019 and 2018, respectively.

The Foundation grants certain funds to the NPL for various projects which fulfill the Foundation's mission. Total gifts to the Library for the years ended June 30, 2019 and 2018 were approximately \$692,000 and \$635,000, respectively. At June 30, 2019 and 2018, accounts payable to the NPL amounted to approximately \$56,000 and \$44,000, 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 the purchase of books for NPL. Total funds held by the Community Foundation, which are excluded from the assets of the Foundation, amounted to \$907,992 and \$922,515 at June 30, 2019 and 2018, respectively. This fund distributed \$45,200 to the Foundation during 2019 and \$43,300 during 2018 and such amounts are included in contributions with donor restrictions.