

**NASHVILLE PUBLIC  
LIBRARY FOUNDATION**

**Financial Statements**

**June 30, 2007 and 2006**

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



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

# NASHVILLE PUBLIC LIBRARY FOUNDATION

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**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, 2007 and 2006, 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, 2007 and 2006, 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  
November 13, 2007

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Financial Position**

**June 30, 2007 and 2006**

|  | <u>2007</u>                | <u>2006</u>                |
|--|----------------------------|----------------------------|
| <b><u>Assets</u></b>                               |                            |                            |
| Cash and cash equivalents                          | \$ 2,964,923               | \$ 4,015,468               |
| Contributions receivable, net                      | 214,395                    | 481,378                    |
| Investments  | 6,399,608                  | 5,347,381                  |
| Accrued rent receivable                            | -                          | 4,439                      |
| Leasehold improvements and computer equipment, net | <u>177,355</u>             | <u>4,365</u>               |
|  | <b>\$ <u>9,756,281</u></b> | <b>\$ <u>9,853,031</u></b> |
| <b><u>Liabilities and Net Assets</u></b>           |                            |                            |
| <b>Liabilities -</b>                               |                            |                            |
| Due to Nashville Public Library                    | \$ <u>1,036</u>            | \$ <u>-</u>                |
| <b>Net assets:</b>                                 |                            |                            |
| <b>Unrestricted:</b>                               |                            |                            |
| Board designated endowment                         | 450,000                    | 200,000                    |
| Undesignated                                       | <u>1,200,140</u>           | <u>780,226</u>             |
| Total unrestricted                                 | 1,650,140                  | 980,226                    |
| Temporarily restricted                             | 5,482,071                  | 6,297,871                  |
| Permanently restricted                             | <u>2,623,034</u>           | <u>2,574,934</u>           |
| Total net assets                                   | <u>9,755,245</u>           | <u>9,853,031</u>           |
|  | <b>\$ <u>9,756,281</u></b> | <b>\$ <u>9,853,031</u></b> |

See accompanying notes to the financial statements.

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Activities**

**Years ended June 30, 2007 and 2006**

|  | 2007                |                        |                        | 2006                |                   |                        |                        |                     |
|--|---------------------|------------------------|------------------------|---------------------|-------------------|------------------------|------------------------|---------------------|
|  | Unrestricted        | Temporarily Restricted | Permanently Restricted | Total               | Unrestricted      | Temporarily Restricted | Permanently Restricted | Total               |
| <b>Support and revenue:</b>  |                     |                        |                        |                     |                   |                        |                        |                     |
| Contributions  | \$ 2,095            | \$ 305,695             | \$ 48,100              | \$ 355,890          | \$ 3,000          | \$ 133,127             | \$ 95,000              | \$ 231,127          |
| Fundraising events and annual campaign   | 544,841             | -                      | -                      | 544,841             | 443,031           | -                      | -                      | 443,031             |
| Sale of posters  | 50                  | -                      | -                      | 50                  | 241               | -                      | -                      | 241                 |
| Investment income, net of investment fees of \$21,326 in 2007 and \$20,457 in 2006 | 426,583             | 348,983                | -                      | 775,566             | 333,786           | 230,306                | -                      | 564,092             |
| Rental income  | 63,207              | -                      | -                      | 63,207              | 13,865            | -                      | -                      | 13,865              |
| Net assets released resulting from satisfaction of donor restrictions              | 1,470,478           | (1,470,478)            | -                      | -                   | 1,062,518         | (1,062,518)            | -                      | -                   |
| <b>Total support and revenue</b>   | <b>2,507,254</b>    | <b>(815,800)</b>       | <b>48,100</b>          | <b>1,739,554</b>    | <b>1,856,441</b>  | <b>(699,085)</b>       | <b>95,000</b>          | <b>1,252,356</b>    |
| <b>Expenses:</b>   |                     |                        |                        |                     |                   |                        |                        |                     |
| <b>Program services:</b>   |                     |                        |                        |                     |                   |                        |                        |                     |
| Support to the Nashville Public Library  | 1,512,814           | -                      | -                      | 1,512,814           | 1,067,824         | -                      | -                      | 1,067,824           |
| <b>Supporting services:</b>  |                     |                        |                        |                     |                   |                        |                        |                     |
| Management and general   | 175,311             | -                      | -                      | 175,311             | 166,541           | -                      | -                      | 166,541             |
| Fundraising  | 149,215             | -                      | -                      | 149,215             | 127,000           | -                      | -                      | 127,000             |
| <b>Total expenses</b>  | <b>1,837,340</b>    | <b>-</b>               | <b>-</b>               | <b>1,837,340</b>    | <b>1,361,365</b>  | <b>-</b>               | <b>-</b>               | <b>1,361,365</b>    |
| <b>Change in net assets</b>  | <b>669,914</b>      | <b>(815,800)</b>       | <b>48,100</b>          | <b>(97,786)</b>     | <b>495,076</b>    | <b>(699,085)</b>       | <b>95,000</b>          | <b>(109,009)</b>    |
| <b>Net assets at beginning of year</b>   | <b>980,226</b>      | <b>6,297,871</b>       | <b>2,574,934</b>       | <b>9,853,031</b>    | <b>485,150</b>    | <b>6,996,956</b>       | <b>2,479,934</b>       | <b>9,962,040</b>    |
| <b>Net assets at end of year</b>   | <b>\$ 1,650,140</b> | <b>\$ 5,482,071</b>    | <b>\$ 2,623,034</b>    | <b>\$ 9,755,245</b> | <b>\$ 980,226</b> | <b>\$ 6,297,871</b>    | <b>\$ 2,574,934</b>    | <b>\$ 9,853,031</b> |

See accompanying notes to the financial statements.

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Cash Flows**

**Years ended June 30, 2007 and 2006**

|  | <u>2007</u>                | <u>2006</u>                |
|--|----------------------------|----------------------------|
| <b>Cash flows from operating activities:</b>   |                            |                            |
| Change in net assets   | \$ <u>(97,786)</u>         | \$ <u>(109,009)</u>        |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                            |                            |
| Depreciation expense   | 36,756                     | 1,798                      |
| Permanently restricted contributions   | (48,100)                   | (95,000)                   |
| Realized and unrealized gains on investments   | (372,992)                  | (179,387)                  |
| (Increase) decrease in:  |                            |                            |
| Contributions receivable   | 266,983                    | 1,383,557                  |
| Accrued rent receivable  | 4,439                      | 5,735                      |
| Increase (decrease) in:  |                            |                            |
| Due to Nashville Public Library  | 1,036                      | -                          |
| Accrued interest payable   | <u>-</u>                   | <u>(32,083)</u>            |
| <b>Total adjustments</b>   | <u>(111,878)</u>           | <u>1,084,620</u>           |
| <b>Net cash provided (used) by operating activities</b>  | <u>(209,664)</u>           | <u>975,611</u>             |
| <b>Cash flows from investing activities:</b>   |                            |                            |
| Purchase of leasehold improvements   | (209,746)                  | -                          |
| Proceeds from sale of investments  | 1,137,078                  | 973,725                    |
| Purchase of investments  | <u>(1,816,313)</u>         | <u>(2,144,728)</u>         |
| <b>Net cash used by investing activities</b>   | <u>(888,981)</u>           | <u>(1,171,003)</u>         |
| <b>Cash flows from financing activities:</b>   |                            |                            |
| Repayment of note payable  | -                          | (10,000,000)               |
| Permanently restricted contributions   | <u>48,100</u>              | <u>95,000</u>              |
| <b>Net cash provided (used) by financing activities</b>  | <u>48,100</u>              | <u>(9,905,000)</u>         |
| Decrease in cash and cash equivalents  | (1,050,545)                | (10,100,392)               |
| Cash and cash equivalents at beginning of year   | <u>4,015,468</u>           | <u>14,115,860</u>          |
| Cash and cash equivalents at end of year   | \$ <u><u>2,964,923</u></u> | \$ <u><u>4,015,468</u></u> |

See accompanying notes to the financial statements.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2007 and 2006

(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, and certificates 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, 2007 and 2006

(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.

(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.

(g) Donated assets

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

(h) 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.



# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2007 and 2006

(i) Accrued rent receivable

Rental income from leases with scheduled rent increases is recognized on the straight-line basis over the term of the related lease. Actual amounts billed in accordance with the lease terms during a given period may be higher or lower than the amount of rental income recognized for the period. Accrued rent receivable represents the amount by which straight-line rental income exceeds rents currently billed in accordance with the lease agreement.

(j) 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 organization. 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 organization. Specific activities include organization 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.

(k) 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.

(l) 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, 2007 and 2006

(m) Reclassifications

Certain reclassifications have been made to the 2006 financial statements in order for them to conform to the 2007 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(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 \$100,000 or \$1,000,000, respectively. 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.

(4) Contributions receivable

A summary of contributions receivable as of June 30, 2007 and 2006 is as follows:

|                                    | <u>2007</u>       | <u>2006</u>       |
|------------------------------------|-------------------|-------------------|
| Temporarily restricted:            |                   |                   |
| Receivable in less than one year   | \$ 80,162         | \$ 302,000        |
| Receivable in one to five years    | <u>148,600</u>    | <u>199,462</u>    |
| Total contributions receivable     | 228,762           | 501,462           |
| Less discount to net present value | <u>(14,367)</u>   | <u>(20,084)</u>   |
| Contributions receivable, net      | <u>\$ 214,395</u> | <u>\$ 481,378</u> |

The discount rate used to determine the present value of contributions receivable is 4.19% for 2007 and 3.50% for 2006.

(5) Investments

A summary of investments as of June 30, 2007 and 2006 is as follows:

|   | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| Common stocks and mutual funds              | \$ 2,316,904        | \$ 2,130,309        |
| Preferred stocks                            | 153,592             | 174,995             |
| Government bonds and U.S. agency securities | 1,790,419           | 1,991,096           |
| Corporate bonds and convertible bonds       | <u>2,138,693</u>    | <u>1,050,981</u>    |
|   | <u>\$ 6,399,608</u> | <u>\$ 5,347,381</u> |

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Notes to the Financial Statements**

**June 30, 2007 and 2006**

The following schedule summarizes the investment income in the statements of activities for 2007 and 2006:

|                              | <u>2007</u>       | <u>2006</u>       |
|------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 423,900        | \$ 405,162        |
| Net gain on investments      | 372,992           | 179,387           |
| Fees paid                    | <u>(21,326)</u>   | <u>(20,457)</u>   |
|                              | <u>\$ 775,566</u> | <u>\$ 564,092</u> |

**(6) Leasehold improvements and computer equipment**

A summary of leasehold improvements and computer equipment as of June 30, 2007 and 2006 is as follows:

|                          | <u>2007</u>       | <u>2006</u>     |
|--------------------------|-------------------|-----------------|
| Leasehold improvements   | \$ 209,746        | \$ -            |
| Computer equipment       | <u>8,991</u>      | <u>8,991</u>    |
|                          | 218,737           | 8,991           |
| Accumulated depreciation | <u>(41,382)</u>   | <u>(4,626)</u>  |
|                          | <u>\$ 177,355</u> | <u>\$ 4,365</u> |

**(7) 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, 2007 and 2006 is as follows:

|                  | <u>2007</u>         | <u>2006</u>       |
|------------------|---------------------|-------------------|
| Board-designated | \$ 450,000          | \$ 200,000        |
| Undesignated     | <u>1,200,140</u>    | <u>780,226</u>    |
|                  | <u>\$ 1,650,140</u> | <u>\$ 980,226</u> |

Temporarily restricted net assets as of June 30, 2007 and 2006 are available for the following purposes:

|                           | <u>2007</u>         | <u>2006</u>         |
|---------------------------|---------------------|---------------------|
| Specific program reserves | <u>\$ 5,482,071</u> | <u>\$ 6,297,871</u> |

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2007 and 2006

(8) 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. Approximate future minimum lease payments receivable under the subleases as of June 30, 2007 are as follows: \$82,000 in 2008; \$46,000 in 2009; \$10,000 in 2010; \$10,000 in 2011; and \$4,000 in 2012.

(9) Related party transactions

Cash and investments of approximately \$6.7 million and \$5.0 million as of June 30, 2007 and 2006, respectively, is held in a brokerage account with a financial institution of which a Board member is Senior Vice President. The Foundation paid \$21,326 and \$20,457 in investment fees related to investment management in 2007 and 2006, respectively.

Contributions from board members amounted to \$145,000 and \$748,000 in 2007 and 2006, respectively. The Foundation was owed pledges receivable from these board members amounting to \$87,000 and \$111,000 at June 30, 2007 and 2006, respectively.

(10) Supplemental disclosures of cash flow statement information

|               | <u>2007</u>           | <u>2006</u>            |
|---------------|-----------------------|------------------------|
| Interest paid | \$ <u>          -</u> | \$ <u>      97,319</u> |

(11) 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 \$1,136,732 at June 30, 2007 and \$1,029,162 at June 30, 2006. This fund distributed \$49,800 to the Foundation during 2007 and \$48,955 during 2006, which is included in temporarily restricted contributions.