

**NASHVILLE PUBLIC  
LIBRARY FOUNDATION**

**Financial Statements**

**June 30, 2012 and 2011**

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



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

# NASHVILLE PUBLIC LIBRARY FOUNDATION

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## 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, 2012 and 2011, 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 Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2012 and 2011, 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  
September 27, 2012

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Financial Position

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 3,590,602	\$ 2,765,895
Grants receivable	47,868	-
Contributions receivable, net	1,135,397	1,244,951
Prepaid expenses	30,278	2,572
Investments	6,206,586	6,548,269
Leasehold improvements and computer equipment, net	<u>1,447</u>	<u>2,497</u>
	\$ <u>11,012,178</u>	\$ <u>10,564,184</u>
<u>Liabilities and Net Assets</u>		
Liabilities - accounts payable	\$ <u>27,847</u>	\$ <u>31,470</u>
Net assets:		
Unrestricted:		
Board designated endowment	1,000,000	1,000,000
Undesignated	<u>1,021,727</u>	<u>1,360,338</u>
Total unrestricted	2,021,727	2,360,338
Temporarily restricted	6,269,180	5,478,952
Permanently restricted	<u>2,693,424</u>	<u>2,693,424</u>
Total net assets	<u>10,984,331</u>	<u>10,532,714</u>
Total liabilities and net assets	\$ <u>11,012,178</u>	\$ <u>10,564,184</u>

See accompanying notes to the financial statements.

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Statements of Activities**

**Years ended June 30, 2012 and 2011**

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue:</b>								
Contributions	\$ 98,448	\$ 1,683,262	\$ -	\$ 1,781,710	\$ 158,003	\$ 2,553,993	\$ 20,115	\$ 2,732,111
Fundraising events and annual campaign	712,970	-	-	712,970	658,543	-	-	658,543
Investment income (loss), net of investment fees of \$24,546 in 2012 and \$23,657 in 2011	(68,983)	(71,565)	-	(140,548)	536,241	464,833	-	1,001,074
Rental income	57,186	-	-	57,186	45,886	-	-	45,886
Net assets released resulting from satisfaction of donor restrictions	821,469	(821,469)	-	-	845,445	(845,445)	-	-
<b>Total support and revenue</b>	<b>1,621,090</b>	<b>790,228</b>	<b>-</b>	<b>2,411,318</b>	<b>2,244,118</b>	<b>2,173,381</b>	<b>20,115</b>	<b>4,437,614</b>
<b>Expenses:</b>								
Program services:								
Support to the Nashville Public Library	1,241,126	-	-	1,241,126	1,260,611	-	-	1,260,611
Supporting services:								
Management and general	355,222	-	-	355,222	456,767	-	-	456,767
Fundraising	363,353	-	-	363,353	433,108	-	-	433,108
<b>Total expenses</b>	<b>1,959,701</b>	<b>-</b>	<b>-</b>	<b>1,959,701</b>	<b>2,150,486</b>	<b>-</b>	<b>-</b>	<b>2,150,486</b>
Change in net assets	(338,611)	790,228	-	451,617	93,632	2,173,381	20,115	2,287,128
Net assets at beginning of year	2,360,338	5,478,952	2,693,424	10,532,714	2,266,706	3,305,571	2,673,309	8,245,586
Net assets at end of year	\$ 2,021,727	\$ 6,269,180	\$ 2,693,424	\$ 10,984,331	\$ 2,360,338	\$ 5,478,952	\$ 2,693,424	\$ 10,532,714

See accompanying notes to the financial statements.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>451,617</u>	\$ <u>2,287,128</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,050	5,349
Provision for bad debts	1,250	50,000
Realized and unrealized (gains) losses on investments	244,068	(823,795)
(Increase) decrease in:		
Grants receivable	(47,868)	-
Contributions receivable	108,304	(1,263,321)
Prepaid expenses	(27,706)	10,983
Increase (decrease) in:		
Accounts payable	<u>(3,623)</u>	<u>29,491</u>
Total adjustments	<u>275,475</u>	<u>(1,991,293)</u>
Net cash provided by operating activities	<u>727,092</u>	<u>295,835</u>
<b>Cash flows from investing activities:</b>		
Purchase of leasehold improvements	-	(2,575)
Proceeds from sale of investments	2,040,118	680,752
Purchase of investments	<u>(1,942,503)</u>	<u>(698,986)</u>
Net cash provided by (used by) investing activities	<u>97,615</u>	<u>(20,809)</u>
Increase in cash and cash equivalents	824,707	275,026
Cash and cash equivalents at beginning of year	<u>2,765,895</u>	<u>2,490,869</u>
Cash and cash equivalents at end of year	\$ <u><u>3,590,602</u></u>	\$ <u><u>2,765,895</u></u>

See accompanying notes to the financial statements.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

(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"), which required additional disclosures related to the three-level fair value hierarchy. Effective July 1, 2011, the Foundation adopted the remaining disclosure amendments in ASU 2010-06 to present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis and have included these disclosures in Note 6 for the year ended June 30, 2012.

(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.

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.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

(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.

(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, 2012, 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 years ending subsequent to June 30, 2008.



# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

(h) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred. Advertising costs of \$59,464 and \$50,315 were expensed during 2012 and 2011, respectively.

(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 purchases 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 statements of activities. Proceeds from deaccessions or insurance recoveries are reflected in the statements 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.

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.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

(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, 2012 and September 27, 2012, 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, 2012 and 2011

(4) Contributions receivable

During 2011, the Foundation initiated a five-year comprehensive campaign ("the Campaign") for the initial purpose of generating contributions from board members and others with close ties to the Foundation. In years subsequent to 2011, the Campaign has been expanded to target contributions from the general public as well. The contributions will be used for the purposes of funding and expanding current and future programs run by the Nashville Public Library and are reported as temporarily restricted net assets in the accompanying statements of financial position. Contributions receivable generated from the Campaign comprised approximately 98% of total gross contributions receivable as of June 30, 2012 and 2011. A summary of total contributions receivable as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Temporarily restricted:		
Receivable in less than one year	\$ 760,262	\$ 1,069,320
Receivable in one to five years	<u>435,425</u>	<u>250,000</u>
Total contributions receivable	1,195,687	1,319,320
Less discount to net present value	<u>(10,290)</u>	<u>(24,369)</u>
Subtotal	1,185,397	1,294,951
Less allowance for uncollectible contributions	<u>(50,000)</u>	<u>(50,000)</u>
Contributions receivable, net	<u>\$ 1,135,397</u>	<u>\$ 1,244,951</u>

The discount rate used to determine the present value of contributions receivable is 0.49%.

(5) Investments

A summary of investments as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Cash	\$ 4,739,260	\$ -
Mutual funds	525,034	3,756,124
Common/preferred stocks	107,113	1,272,083
Certificates of deposit	551,651	1,050,000
Corporate bonds	-	177,145
Hedge funds	<u>283,528</u>	<u>292,917</u>
	<u>\$ 6,206,586</u>	<u>\$ 6,548,269</u>

On June 29, 2012, the Foundation liquidated certain investments and transferred funds totaling \$4,739,260 to a new broker. Based on the timing of the transfer, the new broker did not allocate the funds to separate investments prior to June 30, 2012, but, instead, maintained the funds in a holding account at June 30, 2012. In July 2012, the new broker allocated the funds to investments selected by the Foundation.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

The following schedule summarizes the investment income (loss) in the statements of activities for 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 128,066	\$ 200,936
Net gain (loss) on investments	(244,068)	823,795
Fees paid	<u>(24,546)</u>	<u>(23,657)</u>
	\$ <u>(140,548)</u>	\$ <u>1,001,074</u>

(6) 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.

**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, 2012 and 2011.

- (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.

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2012 and 2011

- (iii) *Certificates of deposit:* Valued at cost, which approximates fair market value.
- (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 tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2012 and 2011:

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual funds:</b>				
Fixed income	\$ 143,642	\$ -	\$ -	\$ 143,642
Balanced	331,842	-	-	331,842
Growth	<u>49,550</u>	<u>-</u>	<u>-</u>	<u>49,550</u>
	<u>525,034</u>	<u>-</u>	<u>-</u>	<u>525,034</u>
<b>Common/preferred stocks:</b>				
Large cap	106,775	-	-	106,775
International	<u>338</u>	<u>-</u>	<u>-</u>	<u>338</u>
	<u>107,113</u>	<u>-</u>	<u>-</u>	<u>107,113</u>
Certificates of deposit	-	551,651	-	551,651
Hedge funds	-	-	283,528	283,528
Contributions receivable, net	<u>-</u>	<u>-</u>	<u>1,135,397</u>	<u>1,135,397</u>
Total	<u>\$ 632,147</u>	<u>\$ 551,651</u>	<u>\$ 1,418,925</u>	<u>\$ 2,602,723</u>

NASHVILLE PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2012 and 2011

	<u>2011</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>

The following table provides a summary of changes in fair value of the Foundation's Level 3 assets for the years ended June 30, 2012 and 2011:

**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, 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	292,917	1,244,951	1,537,868
Unrealized losses	(9,389)	-	(9,389)
New contributions	-	524,700	524,700
Contribution payments received	-	(638,083)	(638,083)
Contributions written off	-	(10,250)	(10,250)
Decrease in contribution discount	<u>-</u>	<u>14,079</u>	<u>14,079</u>
Balance at June 30, 2012	<u>\$ 283,528</u>	<u>\$ 1,135,397</u>	<u>\$ 1,418,925</u>

**NASHVILLE PUBLIC LIBRARY FOUNDATION**

**Notes to the Financial Statements**

**June 30, 2012 and 2011**

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

A summary of leasehold improvements and computer equipment as of June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 231,787	\$ 231,787
Computer equipment	<u>8,991</u>	<u>8,991</u>
	240,778	240,778
Accumulated depreciation	<u>(239,331)</u>	<u>(238,281)</u>
	<u>\$ 1,447</u>	<u>\$ 2,497</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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Board-designated for endowment	\$ 1,000,000	\$ 1,000,000
Undesignated	<u>1,021,727</u>	<u>1,360,338</u>
	<u>\$ 2,021,727</u>	<u>\$ 2,360,338</u>

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Comprehensive Campaign	\$ 1,605,958	\$ 547,131
Garden	655,746	660,558
Goodlettsville Branch	660,659	808,278
Grand Reading Room	420,902	431,989
Limitless Libraries	1,318,099	1,000,000
Nashville Room	598,113	682,565
Other programs	<u>1,009,703</u>	<u>1,348,431</u>
	<u>\$ 6,269,180</u>	<u>\$ 5,478,952</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, 2012 and 2011

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, 2012</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, 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>



# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

### Changes in Endowment Net Assets for the Years Ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at June 30, 2010	\$ 1,000,000	\$ -	\$ 2,673,309	\$ 3,673,309
Designated by Board for endowment	-	-	-	-
Contributions - 2011	<u>-</u>	<u>-</u>	<u>20,115</u>	<u>20,115</u>
Balance at June 30, 2012 and 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, 2012 and 2011

### 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, 2098. A portion of the leased space is subleased to two unaffiliated organizations. Approximate future minimum lease income to be received under the subleases is \$25,000 in 2013.

# NASHVILLE PUBLIC LIBRARY FOUNDATION

## Notes to the Financial Statements

June 30, 2012 and 2011

**(11) Related party transactions**

Cash and investments of approximately \$1.4 million and \$7.3 million as of June 30, 2012 and 2011, respectively, were held in various accounts with financial institutions and their affiliates of which certain Board members are senior officers. The Foundation paid \$24,546 and \$23,657 in investment fees related to investment management in 2012 and 2011, respectively.

Contributions from board members amounted to approximately \$510,000 and \$367,000 in 2012 and 2011, respectively. The Foundation had pledges receivable from these board members amounting to approximately \$501,000 and \$350,000 at June 30, 2012 and 2011, 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 \$870,135 at June 30, 2012 and \$940,315 at June 30, 2011. This fund distributed \$43,100 to the Foundation during 2012 and \$39,200 during 2011 and such amounts are included in temporarily restricted contributions.