

The Junior League of Nashville, Inc.

Financial Statements
For the Years Ended May 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
The Junior League of Nashville, Inc.

Opinion

We have audited the financial statements of The Junior League of Nashville, Inc. (the League), which comprise the statement of financial position as of May 31, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the League as of May 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the League, as of and for the year ended May 31, 2022, were audited by other auditors, whose report, dated October 4, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
August 4, 2023

The Junior League of Nashville, Inc.
Statements of Financial Position
May 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 581,203	\$ 574,753
Accounts receivable	525	860
Investments, current portion	<u>300,000</u>	<u>300,000</u>
Total current assets	881,728	875,613
 Land, building, and equipment, net	 365,886	 392,929
 Investments, net of current portion	 18,451,960	 18,706,061
Beneficial interests in perpetual trusts	<u>1,323,847</u>	<u>1,437,445</u>
Total assets	\$ 21,023,421	\$ 21,412,048
 Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,913	\$ 24,462
Deferred membership dues and event income	176,233	181,397
Grant payable, current portion	<u>300,000</u>	<u>200,000</u>
Total current liabilities	485,146	405,859
 Grant payable, net of current portion and discount	 <u>1,081,397</u>	 <u>1,381,397</u>
Total liabilities	1,566,543	1,787,256
 Net assets		
Without donor restrictions		
Undesignated	756,145	755,587
Designated	<u>6,361,120</u>	<u>6,673,937</u>
Total net assets without donor restriction	7,117,265	7,429,524
With donor restrictions	<u>12,339,613</u>	<u>12,195,268</u>
Total net assets	19,456,878	19,624,792
Total liabilities and net assets	\$ 21,023,421	\$ 21,412,048

The Junior League of Nashville, Inc.

Statement of Activities For the Year Ended May 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	\$ 195,075	\$ 20,159	\$ 215,234
Membership dues and fees	238,333	-	238,333
Fundraising income	32,252	-	32,252
Contributions of nonfinancial assets	7,191		7,191
Net assets released from restrictions	<u>55,468</u>	<u>(55,468)</u>	<u>-</u>
Total support and revenues	528,319	(35,309)	493,010
Expenses			
Program services	475,506	-	475,506
Management and general	91,309	-	91,309
Fundraising	<u>107,580</u>	<u>-</u>	<u>107,580</u>
Total expenses	674,395	-	674,395
Other income (expenses)			
Loss on beneficial interest in perpetual trusts	-	(113,598)	(113,598)
Investment gain (loss), net	<u>(166,183)</u>	<u>293,252</u>	<u>127,069</u>
Total other income (expenses)	(166,183)	179,654	13,471
Change in net assets	(312,259)	144,345	(167,914)
Net assets, beginning of year	<u>7,429,524</u>	<u>12,195,268</u>	<u>19,624,792</u>
Net assets, end of year	\$ 7,117,265	\$ 12,339,613	\$ 19,456,878

The Junior League of Nashville, Inc.

Statement of Activities For the Year Ended May 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	\$ 179,188	\$ 39,517	\$ 218,705
Membership dues and fees	238,763	-	238,763
Fundraising income	424,501	-	424,501
Contributions of nonfinancial assets	40,671		40,671
Net assets released from restrictions	<u>1,888,328</u>	<u>(1,888,328)</u>	<u>-</u>
Total support and revenues	2,771,451	(1,848,811)	922,640
Expenses			
Program services	1,990,508	-	1,990,508
Management and general	86,131	-	86,131
Fundraising	<u>332,758</u>	<u>-</u>	<u>332,758</u>
Total expenses	2,409,397	-	2,409,397
Other income (expenses)			
Gain on beneficial interest in perpetual trusts	-	298,576	298,576
Investment loss, net	<u>(333,187)</u>	<u>(692,448)</u>	<u>(1,025,635)</u>
Total other income (expenses)	(333,187)	(393,872)	(727,059)
Change in net assets	28,867	(2,242,683)	(2,213,816)
Net assets, beginning of year	<u>7,400,657</u>	<u>14,437,951</u>	<u>21,838,608</u>
Net assets, end of year	\$ 7,429,524	\$ 12,195,268	\$ 19,624,792

The Junior League of Nashville, Inc.
Statement of Functional Expenses
For the Year Ended May 31, 2023

	Program Services							Supporting Services		Total
	Hamilton Fund	JLN Trust	PRKK Trusts	Community Outreach	Mildred B. Ansley Fund	Internal Support	Total program services	Management and General	Fundraising	
Salaries, taxes, and benefits	\$ -	\$ -	\$ -	\$ 36,032	\$ -	\$ 29,715	\$ 65,747	\$ 60,364	\$ 54,047	\$ 180,158
Community grants, sponsorships and assistance	38,917	-	-	67,976	-	-	106,893	-	-	106,893
Event costs	-	-	-	4,580	-	24,536	29,116	-	31,438	60,554
Membership dues	-	-	-	-	-	57,465	57,465	-	-	57,465
Legal and professional	-	6,696	-	660	-	733	8,089	21,932	750	30,771
Depreciation	-	-	-	-	-	56,705	56,705	2,785	3,797	63,287
Insurance	-	-	-	-	-	39,926	39,926	1,838	-	41,764
Technology	-	-	-	-	-	20,943	20,943	873	7,665	29,481
Facilities and equipment	-	-	-	-	-	22,096	22,096	1,017	-	23,113
Utilities	-	-	-	-	-	19,979	19,979	920	-	20,899
Training and education	-	-	-	-	-	17,382	17,382	967	1,322	19,671
Other	-	-	-	154	-	12,903	13,057	-	7,628	20,685
Printing and copying	-	-	-	31	-	5,720	5,751	150	405	6,306
Supplies	-	-	-	-	-	5,840	5,840	177	54	6,071
Telephone	-	-	-	-	-	5,213	5,213	240	-	5,453
Postage and shipping	-	-	-	-	-	1,304	1,304	46	474	1,824
	\$ 38,917	\$ 6,696	\$ -	\$ 109,433	\$ -	\$ 320,460	\$ 475,506	\$ 91,309	\$ 107,580	\$ 674,395

The Junior League of Nashville, Inc.
Statement of Functional Expenses
For the Year Ended May 31, 2022

	Program Services							Supporting Services		
	Hamilton Fund	JLN Trust	PRKK Trusts	Community Outreach	Mildred B. Ansley Fund	Internal Support	Total program services	Management and General	Fundraising	Total
Salaries, taxes, and benefits	\$ -	\$ -	\$ -	\$ 35,493	\$ -	\$ 29,273	\$ 64,766	\$ 59,460	\$ 53,240	\$ 177,466
Community grants, sponsorships and assistance	35,398	1,389,469	-	129,175	-	500	1,554,542	-	-	1,554,542
Event costs	-	-	-	7,872	-	11,762	19,634	-	210,652	230,286
Membership dues	-	-	-	-	-	60,712	60,712	-	-	60,712
Legal and professional	-	-	-	241	-	82,623	82,864	19,233	1,875	103,972
Depreciation	-	-	-	-	-	51,807	51,807	2,544	3,469	57,820
Insurance	-	-	-	-	-	35,183	35,183	1,619	-	36,802
Technology	-	-	-	-	-	20,960	20,960	959	3,154	25,073
Facilities and equipment	-	-	-	-	-	20,877	20,877	961	-	21,838
Utilities	-	-	-	-	-	17,082	17,082	787	-	17,869
Training and education	-	-	-	-	-	12,858	12,858	-	-	12,858
Other	-	3,817	2,832	1,355	246	21,434	29,684	-	36,130	65,814
Printing and copying	-	-	-	15	-	7,217	7,232	156	21,336	28,724
Supplies	-	-	-	106	-	4,597	4,703	179	57	4,939
Telephone	-	-	-	-	-	4,927	4,927	227	-	5,154
Postage and shipping	-	-	-	-	-	2,677	2,677	6	2,845	5,528
	\$ 35,398	\$ 1,393,286	\$ 2,832	\$ 174,257	\$ 246	\$ 384,489	\$ 1,990,508	\$ 86,131	\$ 332,758	\$ 2,409,397

The Junior League of Nashville, Inc.
Statements of Cash Flows
For the Years Ended May 31, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	\$ 574,753	\$ 468,732
Cash flows from operating activities		
Change in net assets	(167,914)	(2,213,816)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net unrealized (gain) loss on investments	247,553	1,339,198
Loss (gain) on beneficial interest in perpetual trust	113,598	(298,576)
Depreciation	63,287	57,820
Change in:		
Accounts receivable	335	(260)
Prepaid expenses	-	8,670
Accounts payable and accrued expenses	(15,549)	3,229
Deferred membership dues and event income	(5,164)	(14,236)
Grant payable	(200,000)	1,189,469
Net cash provided (used) by operating activities	36,146	71,498
Cash flows from investing activities		
Sales of investments	381,170	413,642
Purchase of investments	(374,622)	(314,280)
Purchase of land, building, and equipment	(36,244)	(64,839)
Net cash provided (used) by investing activities	(29,696)	34,523
Net change in cash and cash equivalents	6,450	106,021
Cash and cash equivalents, end of year	\$ 581,203	\$ 574,753

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 1. Nature of Activities and Significant Accounting Policies

General

Established in 1922, The Junior League of Nashville, Inc. (the League) is an organization of women whose mission is to advance women's leadership for meaningful community impact through volunteer action, collaboration, and training. The League explores the needs of the community, establishes projects to meet those needs, and provides trained volunteers and financial assistance for the projects established. The League provides training for volunteers to be effective in their service to the community. The placement of those volunteers and the League's funding assistance is directed toward the areas of women, children, and families. The League is a member of the Association of Junior League International, Inc.

Trust Fund

The League has a trust fund to ensure the observance of limitations and restrictions placed on the use of contributions and support to the League. The purpose of the trust has expanded over time as the League has also expanded its focus to various charitable and community-based activities. Established in 1941 to support the children served in the Junior League Home, the trust's purpose evolved over time and funds have been applied in aid to children experiencing various crippling circumstances – including but not limited to disease, poverty, illiteracy, or family strife. Most recently, in 2022, through a court proceeding pursuant to the Tennessee Uniform Prudent Management of Institutional Funds Act, the trust's purpose was modified such that trust funds may be expended for any Junior League charitable activity or community-based activity as approved by the trustees. The fair value of assets held by the trust, less amounts currently pledged, amounted to \$11,009,443 and \$10,750,729 at May 31, 2023 and 2022, respectively, and are included in the assets of the League.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the League. These net assets may be used at the discretion of the League's management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the League or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent amounts available for programs.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 1. Nature of Activities and Significant Accounting Policies

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the League considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The League accounts for investments in accordance with standards of accounting for investments prescribed for not-for-profit organizations. Under these standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Perpetual Trusts

Donors have established and funded trusts which are administered by organizations other than the League. Under the terms of the trusts, the League has the irrevocable right to receive the income earned or a portion of the income earned on the trust assets in perpetuity. The League does not control the assets held by a third party.

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act (UPMIFA) was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Land, Building, and Equipment

Land, building and equipment are stated at cost, except those received by gift, which are stated at estimated market value as of the date of the gift. Expenditures for ordinary maintenance and repairs are charged to expense. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation on building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives range from 40 years for buildings to 3 years for software and computers.

Membership Dues

Membership dues generally cover a period of one year; therefore, such revenue is recognized over the time period to which the dues relate. Dues received in advance of the membership year are deferred.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 1. Nature of Activities and Significant Accounting Policies

Contributions of Cash and Other Financial Assets

Contributions are recognized when the donor makes a promise to give to the League that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The League uses the allowance method to determine uncollectible unconditional promises to give.

Contributions of Nonfinancial Assets

The League received nonfinancial asset contributions of materials and supplies primarily related to fundraising efforts in the amounts of \$7,191 and \$40,671 for the years ended May 31, 2023 and 2022, respectively.

The League receives donated services from a variety of unpaid members and other volunteers. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under accounting and reporting standards prescribed for not-for-profit organizations has not been satisfied. However, during fiscal 2023 and 2022, members provided in excess of 50,000 hours of service to various League programs.

Income Taxes

No provision for federal income taxes is made in the accompanying financial statements, as the League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The League follows Financial Accounting Standards Board (FASB) Accounting Standards Codification guidance for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The League has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. The League is subject to routine audits by taxing jurisdictions for the periods of 2018 to the present; however, there are currently no audits for any tax periods in progress.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

Advertising

The League's advertising is non-direct and the costs are expensed as incurred. The League did not incur significant advertising expenses for the years ended May 31, 2023 and 2022.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 2. Revenue Recognition

The League recognizes revenue in accordance with FASB Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* (ASC 606). Under this guidance, an entity recognizes revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services.

The League recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction prices.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when or as the League satisfies a performance obligation.

The League has analyzed the provisions of ASC 606 and has concluded the following:

Topic 606 Revenues – The accounting for the types of revenue that are accounted for under Topic 606 is discussed below:

Event Fees – Event fees are recognized at the time each meeting is held. Fees are generally collected at or before event dates and therefore collectability is reasonably assured.

Membership Dues – Membership dues are collected up front for a one-year membership period coinciding with the League's fiscal year. Collectability is reasonably assured as membership benefits are not provided without payment. Membership benefits consist of multiple performance obligations that are satisfied at either a point in time or satisfied over time as control is transferred to the member, depending on the benefit provided.

Fundraising Income – The League sells merchandise and other items. Sales are recognized at the time of delivery to the customer and when collectability is reasonably assured. All sales are transferred electronically or in person at the meetings, and no shipping and handling costs are recognized.

Contract Balances

Deferred revenue relates to the advance consideration received primarily for membership dues and event registration. Revenue is recognized once the League has satisfied all performance obligations. Membership dues are paid in advance of membership benefits. Event fees are generally paid prior to the right to attend the event.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The League's contracts with customers related to event fees and sales do not typically include multiple performance obligations.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 2. Revenue Recognition

The League's membership dues include multiple performance obligations. Performance obligations related to discounted and free trainings and event registrations are satisfied upon delivery to the member. Performance obligations related to the remaining performance obligations are satisfied over time as control is transferred to the member. As membership benefits are provided for one year, all performance obligations are satisfied during the League's fiscal year.

Variable Consideration

The League's contracts with customers do not result in contract modifications. The League offers discounted and free trainings and event registrations to its members, which the League considers a material right offered to its members. The League considers this discount to be a separate performance obligation that is satisfied upon the member's attendance at the training or event.

Payment Terms

The League's payment terms vary by member type and the products offered. The time between invoicing and when payment is due is not significant. The League's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

Practical Expedients and Exemptions

There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the League applied in the adoption and application of ASC 606 allows the League to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Disaggregation of Revenue

The statement of activities depicts the disaggregation of revenue by product for the years ended May 31, 2023 and 2022. This is consistent with how the League evaluates financial performance.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at May 31:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 581,203	\$ 574,753
Accounts receivable	525	860
Beneficial interests in perpetual trusts	1,323,847	1,437,445
Investments	<u>18,751,960</u>	<u>19,006,061</u>
Total financial assets at year-end	20,657,535	21,019,119
Less amounts not available to be used within one year		
Net assets with board designations	(6,361,120)	(6,673,937)
Net assets with donor restrictions	<u>(12,339,613)</u>	<u>(12,195,268)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,956,802	\$ 2,149,914

The League regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the League considers all expenditures related to its ongoing activities of promoting voluntarism and developing the potential of women and improving community through effective action and trained volunteers, as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4. Investments and Fair Value Measurements

The League has adopted the provisions of the Fair Value Measurement Topic of FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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. The applicable 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 League 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; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

The Junior League of Nashville, Inc.
Notes to Financial Statements
For the Years Ended May 31, 2023 and 2022

Note 4. Investments and Fair Value Measurements

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 fair value of Level 1 assets was determined by obtaining quoted market prices in active markets.

The League's beneficial interests in trusts were valued using information obtained from third party sources, including detail listings of holdings from the trusts. These valuations are based upon the League's percent interest in future trust earnings.

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 League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The overall investment objective of the League is to maintain a balanced portfolio, through a mix of equities, fixed income securities, and money market balances.

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	\$ 13,117,768	\$ -	\$ -	\$ 13,117,768
Fixed income	5,608,642	-	-	5,608,642
Money market funds	25,550	-	-	25,550
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,323,847</u>	<u>1,437,445</u>
Total assets at fair value	\$ 18,751,960	\$ -	\$ 1,323,847	\$ 20,189,405

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Note 4. Investments and Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Equities	\$ 13,312,854	\$ -	\$ -	\$ 13,312,854
Fixed income	5,511,907	-	-	5,511,907
Money market funds	181,300	-	-	181,300
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,437,445</u>	<u>1,437,445</u>
Total assets at fair value	\$ 19,006,061	\$ -	\$ 1,437,445	\$ 20,443,506

Note 5. Land, Building, and Equipment

Land, building, and equipment as of May 31 are as follows:

	2023	2022
Land	\$ 125,000	\$ 125,000
Building	1,469,397	1,445,120
Software	68,377	68,377
Equipment	296,932	296,910
Less: accumulated depreciation	<u>(1,593,820)</u>	<u>(1,542,478)</u>
Land, building, and equipment, net	\$ 365,886	\$ 392,929

Note 6. Grant Payable

In December 2015, the League entered into an agreement with Vanderbilt Children's Hospital (VCH), effective July 2015, as an unconditional promise to provide \$1.5 million over the period from June 2017 through June 2022, payable in annual installments. The proceeds are to be used for the operations of a number of programs at VCH as described in the agreement. In March 2022, the League entered into a second agreement with VCH to provide \$1.5 million over a period from July 2022 through June 2027, payable in annual installments. The payments have been discounted using a rate of 2.81%. The proceeds are to be used to fund a Directorship in Pediatric Rehabilitation and for the Fund for Pediatric Rehabilitation.

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Note 6. Grant Payable

The liability for grant payable at May 31 is as follows:

	2023	2022
Amount payable to VCH	\$ 1,500,000	\$ 1,700,000
Less: discount to net present value	<u>(118,603)</u>	<u>(118,603)</u>
	\$ 1,381,397	\$ 1,581,397
Payable in less than one year	\$ 300,000	\$ 200,000
Payable in one to six years, net	<u>1,081,397</u>	<u>1,381,397</u>
	\$ 1,381,397	\$ 1,581,397

Note 7. Endowment Funds

The League's endowment funds consist of board-designated and donor-restricted net assets which are held in investment accounts. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The endowment funds maintained by the League include the Anniversary Community Endowment Fund, the Operating Expense Endowment Fund, Vanderbilt Care for Children Fund, and perpetual trusts.

Endowment net asset composition by type of fund as of May 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
1941 Trust	\$ -	\$ 11,009,443	\$ 11,009,443
Anniversary Community Endowment Fund	3,214,368	-	3,214,368
Operating Expense Endowment Fund	3,000,743	-	3,000,743
Vanderbilt Care for Children	146,009	-	146,009
Perpetual trusts	<u>-</u>	<u>1,323,847</u>	<u>1,323,847</u>
Total endowment	\$ 6,361,120	\$ 12,333,290	\$ 18,694,410

Changes in endowment net assets for the year ended May 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,673,937	\$ 12,188,174	\$ 18,862,111
Investment return	(85,258)	145,116	59,858
Additions	133,452	-	133,452
Distributions, net	<u>(361,011)</u>	<u>-</u>	<u>(361,011)</u>
Endowment net assets, end of year	\$ 6,361,120	\$ 12,333,290	\$ 18,694,410

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Note 7. Endowment Funds

Endowment net asset composition by type of fund as of May 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
1941 Trust	\$ -	\$ 10,750,729	\$ 10,750,729
Anniversary Community Endowment Fund	3,209,887	-	3,209,887
Operating Expense Endowment Fund	3,056,489	-	3,056,489
Vanderbilt Care for Children	407,561	-	407,561
Perpetual trusts	<u>-</u>	<u>1,437,445</u>	<u>1,437,445</u>
Total endowment	\$ 6,673,937	\$ 12,188,174	\$ 18,862,111

Changes in endowment net assets for the year ended May 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,761,022	\$ 14,001,656	\$ 20,762,678
Investment return	(333,187)	(1,813,482)	(2,146,669)
Additions	407,561	-	407,561
Distributions, net	<u>(161,459)</u>	<u>-</u>	<u>(161,459)</u>
Endowment net assets, end of year	\$ 6,673,937	\$ 12,188,174	\$ 18,862,111

Endowment Investment Policy and Risk Parameters

The League has adopted investment policies to allow endowment assets to support the League and to enable it to more completely fulfill its mission by providing operational funding and community assistance for perpetuity. Under the League's investment policy for endowment assets, the primary objective is to maintain the accumulated balances and to protect the principal. The policy also requires that the funds, as a whole, should not be subjected to undue investment risk.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term objectives, the League relies on an investment strategy that allows the value of the funds to at least keep pace with inflation. It is expected that the funds' investment performance will be measured by total return, taking capital appreciation into consideration, without regard to whether any particular item should be allocated to principal or to income for fiduciary accounting purposes. There are no specific guidelines as to how much current income should be generated by the funds' investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending authority for the Anniversary Community Endowment Fund accounts are the product of a 4.5% spending rate and the 36-month moving average of fair market value. In the event the endowed accounts fall below \$1 million, spending will be restricted to 0% of the 36-month moving average of the fair market value. The spending authority for the Operating Expense Endowment Fund accounts are the product of a 4.5% spending rate and the 36-month moving average of the fair market value. In the event that endowed accounts fall below \$1 million, spending will be restricted to 3% of the 36-month moving average of the fair market value.

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Note 8. Concentrations of Credit Risk

The League maintains its deposits in financial institutions at balances which, at times, may exceed federally insured limits. Amounts held by the League in excess of federally insured limits totaled approximately \$350,000 and \$380,000 at May 31, 2023 and 2022, respectively. In management's opinion, the financial institutions have strong credit ratings and exposure to losses from such concentrations is not considered significant. Additionally, the League has over \$18.5 million of investments in debt and equity securities as of May 31, 2023, which are subject to market risk.

Note 9. Donor-restricted and Board-designated Net Assets

The components of donor-restricted and board-designated net assets as of May 31, 2023 are as follows:

	Board designated	With donor restrictions
1941 Trust	\$ -	\$ 11,009,443
Hamilton Bequests	-	51
Anniversary Community Endowment Fund	3,214,368	-
Operating Expense Endowment Fund	3,000,743	-
Vanderbilt Care for Children	146,009	-
Hardship donations	-	6,272
Perpetual trusts	-	1,323,847
	<u>\$ 6,361,120</u>	<u>\$ 12,339,613</u>

The components of donor-restricted and board-designated net assets as of May 31, 2022 are as follows:

	Board designated	With donor restrictions
1941 Trust	\$ -	\$ 10,750,729
Hamilton Bequests	-	411
Anniversary Community Endowment Fund	3,209,887	-
Operating Expense Endowment Fund	3,056,489	-
Vanderbilt Care for Children	407,561	-
Hardship donations	-	6,683
Perpetual trusts	-	1,437,445
	<u>\$ 6,673,937</u>	<u>\$ 12,195,268</u>

1941 Trust

This balance is comprised of a trust established by the League to own, maintain, and operate the Junior League Home for Crippled Children (the Home). According to the trust agreement, assets of the trust, and any income received were to be used for programs of the Home.

In May, 2022, the trustees of the 1941 Trust petitioned the Seventh Circuit Court of Davidson County, Tennessee Probate Division (Court) to modify the 1941 Trust to allow its proceeds and corpus to be expended in support of any Junior League charitable activity or community-based activity, as may be approved by the 1941 Trust's Board of Trustees and, as appropriate, the Junior League's Advisory Committee. On September 8, 2022, the Court ruled in favor of the request.

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Note 9. Donor-restricted and Board-designated Net Assets

Vanderbilt – Care for Children

This balance represents contributions restricted for community projects that benefit crippled children. These funds were relieved of restriction during the year ended May 31, 2022 and the Board passed a resolution to designate the funds to support the Vanderbilt Care for Children fund.

Hamilton Fund – Gladden the Hearts of the Children

This balance represents donor contributions restricted to gladden the hearts of children.

Anniversary Community Endowment Fund

This balance represents contributions restricted and board designated to provide financial support for activities of the League that improve the welfare of the community. The restricted contributions cannot be used for League activities unless the fund exceeds a balance of \$1,000,000.

Operating Expense Endowment Fund

This balance represents contributions restricted and board designated to provide financial support for activities of the League that improve the welfare of the community.

Perpetual Trusts

The League has an irrevocable right to receive the income or a portion of the income earned from the trusts in perpetuity. Included in this balance are Pike, Reynolds, King, and Kempkau trusts (PRKK Trusts), as well as the Hamilton Trust.

Note 10. Subsequent Events

Management has evaluated subsequent events through August 4, 2023, the date on which the financial statements were available for issuance.