

THE JUNIOR LEAGUE OF NASHVILLE, INC.

FINANCIAL STATEMENTS

May 31, 2013 and 2012

THE JUNIOR LEAGUE OF NASHVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Junior League of Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of The Junior League of Nashville, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Junior League of Nashville, Inc. as of May 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Frasier, Dean & Howard, PLLC

Nashville, Tennessee

September 27, 2013

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 340,001	\$ 287,175
Accounts receivable	6,667	6,792
Prepaid expense and other	26,017	2,213
Investments	300,000	375,000
Total current assets	672,685	671,180
Investments	13,038,630	10,908,308
Beneficial interests in perpetual trusts	936,337	872,090
Land, building and equipment	1,836,998	1,821,885
Less: accumulated depreciation	(1,135,505)	(1,079,746)
Net land, building and equipment	701,493	742,139
Total assets	\$ 15,349,145	\$ 13,193,717
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,569	\$ 14,626
Deferred membership dues and event income	245,114	242,038
Grant payable, current portion	300,000	375,000
Total current liabilities	575,683	631,664
Grant payable, net of current portion and discount	884,090	1,184,090
Total liabilities	1,459,773	1,815,754
Net assets:		
Unrestricted:		
Undesignated	498,494	780,158
Designated	3,830,545	3,167,794
Total unrestricted net assets	4,329,039	3,947,952
Temporarily restricted	8,623,996	6,557,921
Permanently restricted	936,337	872,090
Total net assets	13,889,372	11,377,963
Total liabilities and net assets	\$ 15,349,145	\$ 13,193,717

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Contributions and other (including in-kind of \$19,261)	\$ 231,295	\$ 26,100	\$ -	\$ 257,395
Membership dues and fees	257,953	-	-	257,953
Fundraising income (including in-kind of \$30,285)	99,059	-	-	99,059
Satisfaction of program restrictions	54,715	(54,715)	-	-
Total revenue	<u>643,022</u>	<u>(28,615)</u>	<u>-</u>	<u>614,407</u>
Expenses:				
Program services (including in-kind of \$19,261)	686,706	-	-	686,706
Supporting services (including in-kind of \$30,285)	157,239	-	-	157,239
Total expenses	<u>843,945</u>	<u>-</u>	<u>-</u>	<u>843,945</u>
Change in net assets, before investment gain	(200,923)	(28,615)	-	(229,538)
Gain on beneficial interest in perpetual trusts	-	-	64,247	64,247
Investment gain, net	582,010	2,094,690	-	2,676,700
Change in net assets	381,087	2,066,075	64,247	2,511,409
Net assets, beginning of year	<u>3,947,952</u>	<u>6,557,921</u>	<u>872,090</u>	<u>11,377,963</u>
Net assets, end of year	<u>\$ 4,329,039</u>	<u>\$ 8,623,996</u>	<u>\$ 936,337</u>	<u>\$ 13,889,372</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Contributions and other (including in-kind of \$9,971)	\$ 246,136	\$ -	\$ -	\$ 246,136
Membership dues and fees	251,296	-	-	251,296
Fundraising income (including in-kind of \$144,775)	297,952	-	-	297,952
Satisfaction of program restrictions	1,783,272	(1,783,272)	-	-
Total revenue	<u>2,578,656</u>	<u>(1,783,272)</u>	<u>-</u>	<u>795,384</u>
Expenses:				
Program services (including in-kind of \$9,971)	2,329,442	-	-	2,329,442
Supporting services (including in-kind of \$144,775)	301,735	-	-	301,735
Total expenses	<u>2,631,177</u>	<u>-</u>	<u>-</u>	<u>2,631,177</u>
Change in net assets, before investment loss	(52,521)	(1,783,272)	-	(1,835,793)
Loss on beneficial interest in perpetual trusts	-	-	(56,839)	(56,839)
Investment loss, net	(111,435)	(1,129,210)	-	(1,240,645)
Change in net assets	(163,956)	(2,912,482)	(56,839)	(3,133,277)
Net assets, beginning of year	<u>4,111,908</u>	<u>9,470,403</u>	<u>928,929</u>	<u>14,511,240</u>
Net assets, end of year	<u>\$ 3,947,952</u>	<u>\$ 6,557,921</u>	<u>\$ 872,090</u>	<u>\$11,377,963</u>

See accompanying notes to financial statements.

**THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2013**

	Program Services										Supporting Services		
	Mildred B.										Total Program Services	Annual Fundraisers	Total Expenses
	Hamilton Christmas Fund	JLN Trust	PRKK Trusts	Community Outreach	Ansley Fund	Internal Support	Total Program Services	Annual Fundraisers	Total Expenses				
Community grants, sponsorships, and assistance	\$ 27,599	\$ -	\$ 48,512	\$ 98,700	\$ -	\$ 1,750	\$ 176,561	\$ -	\$ 176,561	\$ -	\$ 176,561		
Salaries, taxes and benefits	-	-	-	36,470	-	72,940	109,410	36,470	145,880				
Event costs	-	-	743	1,208	-	12,101	14,052	74,356	88,408				
Bank and investment expense	-	30,089	1,898	10,445	1,728	29,756	73,916	290	74,206				
Depreciation	-	-	-	-	-	58,578	58,578	3,739	62,317				
Membership dues	-	-	-	-	-	59,617	59,617	-	59,617				
In-kind expenses	-	-	245	16,726	-	2,290	19,261	30,285	49,546				
Facilities and equipment - other	-	-	-	-	-	27,569	27,569	-	27,569				
Printing and copying	-	-	-	86	-	16,750	16,836	7,976	24,812				
Insurance	-	-	-	-	-	23,474	23,474	-	23,474				
Training and education	-	-	347	-	-	20,601	20,948	-	20,948				
Other	-	-	70	15	-	17,350	17,435	1,974	19,409				
Legal and professional	-	-	-	-	-	18,377	18,377	-	18,377				
Utilities	-	-	-	-	-	15,975	15,975	-	15,975				
Other contract services	-	-	-	-	-	11,275	11,275	-	11,275				
Technology	-	-	-	-	-	9,431	9,431	-	9,431				
Telephone	-	-	-	-	-	7,696	7,696	-	7,696				
Postage and shipping	-	-	-	-	-	5,072	5,072	2,055	7,127				
Supplies	-	-	38	88	-	1,097	1,223	94	1,317				
	\$ 27,599	\$ 30,089	\$ 51,853	\$ 163,738	\$ 1,728	\$ 411,699	\$ 686,706	\$ 157,239	\$ 843,945				

See accompanying notes to financial statements.

**THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2012**

	Hamilton Christmas Fund	Program Services							Total Program Services	Annual Fundraisers	Total Expenses
		Mildred B.									
		JLN Trust	PRKK Trusts	Community Outreach	Ansley Fund	Internal Support					
Community grants, sponsors, and assistance	\$ 28,410	\$ 1,484,090	\$ 140,922	\$ 125,000	\$ -	\$ -	\$ -	\$ 1,778,422	\$ -	\$ 1,778,422	
In-kind expenses	-	-	-	200	-	9,771	-	9,971	144,775	154,746	
Salaries, taxes and benefits	-	-	-	35,815	-	71,630	-	107,445	35,815	143,260	
Bank and investment expense	-	62,645	2,579	10,620	1,636	29,637	-	107,117	389	107,506	
Event costs	-	-	2,005	379	-	7,912	-	10,296	92,360	102,656	
Depreciation	-	-	-	-	-	67,296	-	67,296	4,296	71,592	
Membership dues	-	-	-	-	-	53,401	-	53,401	-	53,401	
Legal and professional	-	-	-	1,750	-	32,222	-	33,972	206	34,178	
Printing and copying	-	-	-	3,030	-	12,750	-	15,780	11,361	27,141	
Facilities and equipment - other	-	-	-	-	-	32,554	-	32,554	2,170	34,724	
Insurance	-	-	-	-	-	23,095	-	23,095	-	23,095	
Other contract services	-	-	-	-	-	19,779	-	19,779	563	20,342	
Training and education	-	-	476	-	-	15,398	-	15,874	-	15,874	
Utilities	-	-	-	-	-	14,067	-	14,067	-	14,067	
Other	-	-	286	-	-	11,150	-	11,436	2,590	14,026	
Technology	-	-	-	-	-	10,569	-	10,569	-	10,569	
Telephone	-	-	-	-	-	7,221	-	7,221	-	7,221	
Loss on disposal	-	-	-	-	-	6,400	-	6,400	-	6,400	
Supplies	-	-	72	-	-	1,288	-	1,360	4,351	5,711	
Postage and shipping	-	-	-	140	-	2,671	-	2,811	2,019	4,830	
Cost of sales	-	-	-	-	-	576	-	576	840	1,416	
	\$ 28,410	\$ 1,546,735	\$ 146,340	\$ 176,934	\$ 1,636	\$ 429,387	\$ 1,636	\$ 2,329,442	\$ 301,735	\$ 2,631,177	

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 2,511,409	\$ (3,133,277)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized (gain) loss on investments	(2,487,195)	1,443,357
(Gain) loss on beneficial interest in perpetual trust	(64,247)	56,839
Loss on disposal of property	757	6,400
Depreciation	62,317	71,592
Change in operating assets and liabilities:		
Accounts receivable	125	2,367
Prepaid expense and other	(23,804)	1,510
Accounts payable and accrued expenses	15,943	(2,047)
Deferred membership dues	3,076	(9,734)
Grants payable	(375,000)	1,233,090
	<u>(356,619)</u>	<u>(329,903)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Sales of investments	2,754,555	8,348,324
Purchases of investments	(2,322,682)	(7,957,234)
Purchases of land, building and equipment	(22,428)	(9,075)
	<u>409,445</u>	<u>382,015</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	52,826	52,112
Cash and cash equivalents, beginning of year	<u>287,175</u>	<u>235,063</u>
Cash and cash equivalents, end of year	<u>\$ 340,001</u>	<u>\$ 287,175</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2013 and 2012

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 committed to promoting voluntarism, to developing the potential of women, and to improving the Middle Tennessee community through the effective action and leadership of trained volunteers. The purpose of the League is exclusively educational and charitable. 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. These contributions are invested and the related investment income is restricted for the intended purpose of serving the best interests of children in a condition - physical, mental, emotional, environmental, or economic, that places a child at risk of not being able to live into adulthood as a healthy, educated individual, whose disabilities can be sufficiently improved or overcome to enable him or her to be self-supporting in our society. In addition to physical illness and conditions, examples include children who are crippled by poverty, illiteracy or family strife. The fair market value of assets held by the trust, less amounts currently pledged, amounted to \$8,227,264 and \$6,172,355 at May 31, 2013 and 2012, respectively, and are included in the assets of the League.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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:

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Financial Statement Presentation (Continued)

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 League and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the League. Generally, donors of these assets permit the League to use all or part of the income earned for unrestricted or restricted purposes.

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. See Note 2 for additional information on fair value measurements.

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.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board Accounting Standards Codification (“FASB 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.

Contributions

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The League uses the allowance method to determine uncollectible unconditional promises to give.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Donated Goods and Services

The League received in-kind contributions of materials and supplies primarily related to fundraising efforts in the amounts of \$49,546 and \$154,746 for the years ended May 31, 2013 and 2012, 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 2013, members provided in excess of 40,000 hours of service to various League programs.

Federal 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 FASB ASC guidance clarifying the accounting 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 fifty percent likely of being realized upon ultimate settlement. The League has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended May 31, 2010 through May 31, 2013.

Advertising

The League's advertising is non-direct and the costs are expensed as incurred.

Subsequent Events

The League evaluated subsequent events through September 27, 2013, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The League has adopted the provisions of the Fair Value Measurement Topic of the 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;
- Inputs that are derived principally from or corroborated by the 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 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 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 JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the League’s assets at fair value as of May 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate stocks	\$ 6,236,420	\$ -	\$ -	\$ 6,236,420
Money market funds	2,660,634	-	-	2,660,634
Mutual funds	2,445,342	-	-	2,445,342
Fixed income	1,773,731	-	-	1,773,731
US Treasury notes	<u>222,503</u>	<u>-</u>	<u>-</u>	<u>222,503</u>
Total assets at fair value	<u>\$ 13,338,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,338,630</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 936,337</u>	<u>\$ 936,337</u>

The following table sets forth by level, within the fair value hierarchy, the League’s assets at fair value as of May 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate stocks	\$ 5,620,771	\$ -	\$ -	\$ 5,620,771
Mutual funds	1,791,089	-	-	1,791,089
Fixed income	2,261,402	-	-	2,261,402
Money market funds	<u>1,610,046</u>	<u>-</u>	<u>-</u>	<u>1,610,046</u>
Total assets at fair value	<u>\$ 11,283,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,283,308</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 872,090</u>	<u>\$ 872,090</u>

The summary of changes in the fair value of the League’s level 3 assets for the year ended May 31, 2013 and 2012 are as follows:

	<u>2013</u> <u>Beneficial</u> <u>Interest in</u> <u>Trusts</u>	<u>2012</u> <u>Beneficial</u> <u>Interest in</u> <u>Trusts</u>
Balance, beginning of year	\$ 872,090	\$ 928,929
Realized and unrealized (loss) gain	<u>64,247</u>	<u>(56,839)</u>
Balance, end of year	<u>\$ 936,337</u>	<u>\$ 872,090</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are classified as follows:

	<u>2013</u>	<u>2012</u>
Current	\$ 300,000	\$ 375,000
Noncurrent	<u>13,038,630</u>	<u>10,908,308</u>
Total	<u>\$ 13,338,630</u>	<u>\$ 11,283,308</u>

For the years ended May 31, 2013 and 2012, interest and dividends earned from these investments totaled \$189,505 and \$202,712, respectively. Net appreciation (depreciation) of investments amounted to \$2,487,195 and \$(1,443,357) for the years ended May 31, 2013 and 2012, respectively.

NOTE 3 – LAND, BUILDING AND EQUIPMENT

The components of land, building and equipment as of May 31 are as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 125,000	\$ 125,000
Building	1,356,504	1,350,159
Software	66,427	60,427
Equipment	<u>289,067</u>	<u>286,299</u>
	1,836,998	1,821,885
Less accumulated depreciation	<u>(1,135,505)</u>	<u>(1,079,746)</u>
Net land, building and equipment	<u>\$ 701,493</u>	<u>\$ 742,139</u>

NOTE 4 – GRANT PAYABLE

Effective November 1, 2011, the League committed \$200,000 to the Centerstone Foundation, payable in installments over the period of one year. The proceeds are to be used for the construction of an Adult and Children's Clinic, as described in the agreement. The League paid \$75,000 and \$125,000 to the Centerstone Foundation in fiscal years 2013 and 2012, respectively.

In April 2012, the League entered into an agreement with VCH, effective July 1, 2012, to provide \$1.5 million over the period from July 2012 through June 2017, payable in semi-annual installments. The proceeds are to be used for the operation of a number of programs at VCH as described in the agreement.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 4 – GRANT PAYABLE (Continued)

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

	<u>2013</u>	<u>2012</u>
Amount payable to VCH	\$ 1,200,000	\$ 1,500,000
Amount payable to Centerstone Foundation	-	75,000
Less: discount to net present value	<u>(15,910)</u>	<u>(15,910)</u>
	<u>\$ 1,184,090</u>	<u>\$ 1,559,090</u>
Payable in less than one year	\$ 300,000	\$ 375,000
Payable in one to five years, net	<u>884,090</u>	<u>1,184,090</u>
	<u>\$ 1,184,090</u>	<u>\$ 1,559,090</u>

NOTE 5 – ENDOWMENT FUNDS

The League's endowment funds consist of donor-restricted gifts as well as assets designated by the Board of Directors which are held in investment accounts. As required by generally accepted accounting principles, 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 and the Mildred D. Ansley Fund.

2013 Endowment Net Asset Composition by Type of Fund as of May 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 1,192,619	\$ 247,467	\$ -	\$ 1,440,086
Operating Expense Endowment Fund	2,449,356	10,900	-	2,460,256
Mildred B. Ansley Fund	<u>188,570</u>	<u>-</u>	<u>-</u>	<u>188,570</u>
Total endowment	<u>\$ 3,830,545</u>	<u>\$ 258,367</u>	<u>\$ -</u>	<u>\$ 4,088,912</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 5 – ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets for the year ended May 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,167,794	\$ 175,352	\$ -	\$ 3,343,146
Investment return	664,051	56,915	-	720,966
Contributions	113,700	26,100	-	139,800
Board designated transfer	<u>(115,000)</u>	<u>-</u>	<u>-</u>	<u>(115,000)</u>
Endowment net assets, end of year	<u>\$ 3,830,545</u>	<u>\$ 258,367</u>	<u>\$ -</u>	<u>\$ 4,088,912</u>

2012 Endowment Net Asset Composition by Type of Fund as of May 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 801,521	\$ 164,452	\$ -	\$ 965,973
Operating Expense Endowment Fund	2,203,631	10,900	-	2,214,531
Mildred B. Ansley Fund	<u>162,642</u>	<u>-</u>	<u>-</u>	<u>162,642</u>
Total endowment	<u>\$ 3,167,794</u>	<u>\$ 175,352</u>	<u>\$ -</u>	<u>\$ 3,343,146</u>

Changes in Endowment Net Assets for the year ended May 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,313,096	\$ 357,817	\$ -	\$ 3,670,913
Investment return	(273,297)	(57,465)	-	(330,762)
Contributions	-	-	-	-
Board designated transfers	127,995	-	-	127,995
Distributions, net	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Endowment net assets, end of year	<u>\$ 3,167,794</u>	<u>\$ 175,352</u>	<u>\$ -</u>	<u>\$ 3,343,146</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 5 – ENDOWMENT FUNDS (Continued)

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 4.0% 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 6% spending rate and the 36-month moving average of the fair market value. In the event that endowed accounts fall below \$1.5 million, spending will be restricted to 3% of the 36-month moving average of the fair market value. The investment return on the Mildred D. Ansley Fund may be distributed.

NOTE 6 – ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates made by management.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year, the League's cash and cash equivalent balances exceeded the federally insured limits. Additionally, the League has approximately \$13 million and \$11 million of investments in debt and equity securities as of May 31, 2013 and 2012, respectively, which are subject to market risk.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 8 – DONOR RESTRICTED AND BOARD OF DIRECTORS’ DESIGNATED NET ASSETS

The components of donor restricted (temporarily and permanently restricted) and board of directors’ designated net assets as of May 31, 2013 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 8,227,265	\$ -
Operation Reserve – Care for Children	-	138,364	-
Anniversary Community Endowment Fund	1,192,619	247,467	-
Operating Expense Endowment Fund	2,449,356	10,900	-
Mildred B. Ansley Fund – JLN operations	188,570	-	-
Perpetual Trusts	-	-	936,337
	<u>\$ 3,830,545</u>	<u>\$8,623,996</u>	<u>\$ 936,337</u>

The components of donor restricted (temporarily and permanently restricted) and board of directors’ designated net assets as of May 31, 2012 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 6,247,353	\$ -
Operation Reserve – Care for Children	-	135,216	-
Anniversary Community Endowment Fund	801,521	164,452	-
Operating Expense Endowment Fund	2,203,631	10,900	-
Mildred B. Ansley Fund – JLN operations	162,642	-	-
Perpetual Trusts	-	-	872,090
	<u>\$ 3,167,794</u>	<u>\$ 6,557,921</u>	<u>\$ 872,090</u>

JLN Trust – Junior League Home for Crippled Children. 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 are to be used for programs of the Home.

Operation Reserve – Care for Children. This balance represents contributions restricted for community projects that benefit crippled children.

Hamilton Fund – Gladden the Hearts of the Children at Christmas. This balance represents donor contributions restricted to gladden the hearts of children at Christmas time.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2013 and 2012

NOTE 8 – DONOR RESTRICTED AND BOARD OF DIRECTORS’ DESIGNATED NET ASSETS (Continued)

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.

Mildred B. Ansley Fund – JLN Operations. This balance represents a memorial of Mildred B. Ansley, a member of the League, who bequeathed \$150,000 to the League. The League has designated that her gift be invested as a memorial and that the investment return be used to provide equipment the League requires to maintain its operations.

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”), as well as the Hamilton Trust.