

**THE JUNIOR LEAGUE OF NASHVILLE, INC.
AND AFFILIATE**

FINANCIAL STATEMENTS

May 31, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Junior League of Nashville, Inc. and Affiliate
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of The Junior League of Nashville, Inc. and Affiliate (a non-profit organization) as of May 31, 2006 and 2005, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Junior League of Nashville, Inc. and Affiliate as of May 31, 2006 and 2005, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 17 and 18 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

August 11, 2006

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2006 and 2005

	Assets	
	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 221,802	\$ 259,168
Book inventory	110,762	42,244
Unconditional promises to give	346,327	318,603
Investments	300,000	300,000
Total current assets	<u>978,891</u>	<u>920,015</u>
Investments	10,412,521	9,772,855
Unconditional promises to give, net of current portion and discount	75,542	94,165
Land, building and equipment	3,409,586	3,447,050
Less: accumulated depreciation	<u>(985,411)</u>	<u>(903,640)</u>
Net land, building and equipment	<u>2,424,175</u>	<u>2,543,410</u>
Total assets	<u><u>\$13,891,129</u></u>	<u><u>\$13,330,445</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 60,622	\$ 32,657
Deferred membership dues	302,456	299,838
Grants payable	300,000	300,000
Notes payable	296,119	375,567
Total current liabilities	<u>959,197</u>	<u>1,008,062</u>
Grants payable, net of current portion and discount	<u>-</u>	<u>285,158</u>
Total liabilities	<u>959,197</u>	<u>1,293,220</u>
Net assets:		
Unrestricted:		
Undesignated	2,554,706	2,546,103
Designated	273,032	252,568
Total unrestricted net assets	2,827,738	2,798,671
Temporarily restricted	<u>10,104,194</u>	<u>9,238,554</u>
Total net assets	<u>12,931,932</u>	<u>12,037,225</u>
Total liabilities and net assets	<u><u>\$13,891,129</u></u>	<u><u>\$13,330,445</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended May 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions and other	\$ 378,217	\$ 247,209	\$ 625,426
Investment return, net	128,612	856,413	985,025
Membership dues and fees	305,444	-	305,444
Cookbook sales	51,652	-	51,652
Fundraising income (including in-kind of \$488,160)	762,076	-	762,076
Satisfaction of program restrictions	<u>237,982</u>	<u>(237,982)</u>	<u>-</u>
Total revenue	1,863,983	865,640	2,729,623
Expenses:			
Program services (including in-kind of of \$5,000)	945,359	-	945,359
Supporting services (including in-kind of \$483,160)	<u>889,557</u>	<u>-</u>	<u>889,557</u>
Total expenses	<u>1,834,916</u>	<u>-</u>	<u>1,834,916</u>
Change in net assets	29,067	865,640	894,707
Net assets, beginning of year	<u>2,798,671</u>	<u>9,238,554</u>	<u>12,037,225</u>
Net assets, end of year	<u><u>\$ 2,827,738</u></u>	<u><u>\$ 10,104,194</u></u>	<u><u>\$ 12,931,932</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended May 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions and other	\$ 427,536	\$ 5,532	\$ 433,068
Investment return, net	34,721	636,648	671,369
Membership dues and fees	308,435	-	308,435
Cookbook sales	30,827	-	30,827
Fundraising income (including in-kind of \$383,323)	775,668	-	775,668
Satisfaction of program restrictions	593,326	(593,326)	-
Total revenue	2,170,513	48,854	2,219,367
Expenses:			
Program services	963,364	-	963,364
Supporting services (including in-kind of \$383,323)	824,415	-	824,415
Total expenses	1,787,779	-	1,787,779
Change in net assets	382,734	48,854	431,588
Net assets, beginning of year	2,415,937	9,189,700	11,605,637
Net assets, end of year	<u>\$ 2,798,671</u>	<u>\$ 9,238,554</u>	<u>\$ 12,037,225</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2006

	Program Services						Supporting Services							
	Hamilton Christmas Fund	JLN Trust	Community Outreach	Pennington Fund	Mildred B.		Total	Internal Support	Program Services	Annual Fundraisers	Fundraising Capital	Fundraising FJLN	Total Supporting Services	Total Expenses
					Ansley Fund									
In-kind expenses	-	-	3,000	-	-	2,000	5,000	483,160	-	-	-	483,160	488,160	
Community grants, sponsorships, and assistance	25,474	17,707	207,512	-	-	1,930	252,623	1,926	-	-	-	1,926	254,549	
Salaries, taxes and benefits	-	-	47,577	-	-	95,155	142,732	47,577	-	-	-	47,577	190,309	
Depreciation	-	-	-	-	-	114,601	114,601	7,315	-	-	-	7,315	121,916	
Event costs	-	-	7,641	-	-	3,298	10,939	90,044	-	-	-	90,044	100,983	
Cost of sales	-	-	-	-	-	-	-	86,501	-	-	-	86,501	86,501	
Association and community dues	-	-	375	-	-	72,660	73,035	-	-	-	-	-	73,035	
Printing and publications	-	209	16,186	-	-	23,828	40,223	29,985	2	-	-	29,987	70,210	
Interest/investment/banking expense	9	38,080	212	20	89	13,806	52,216	1,354	15,908	408	-	17,670	69,886	
Tent and other rentals	-	-	600	-	-	548	1,148	57,079	-	-	-	57,079	58,227	
Legal and professional	-	18,632	196	-	-	22,502	41,330	5,695	150	-	-	5,845	47,175	
Insurance	-	-	-	-	-	37,062	37,062	1,558	-	-	-	1,558	38,620	
Utilities	-	-	-	-	-	24,434	24,434	13,625	-	-	-	13,625	38,059	
Telephone	-	-	-	-	-	26,859	26,859	1,315	-	-	-	1,315	28,174	
Other	-	-	-	-	-	25,160	25,160	840	-	-	-	840	26,000	
Equipment leases and maintenance	-	-	-	-	-	23,419	23,419	-	-	-	-	-	23,419	
Building repairs and maintenance	-	-	-	-	-	20,618	20,618	650	-	-	-	650	21,268	
Travel, meals and entertainment	59	2,291	8,177	-	-	504	11,031	7,642	-	-	-	7,642	18,673	
Postage, shipping, mailhouse	-	12	2,687	-	-	6,860	9,559	7,008	13	-	-	7,021	16,580	
Security	-	-	136	-	-	3,234	3,370	11,037	-	-	-	11,037	14,407	
Supplies	330	-	2,367	-	-	5,262	7,959	6,138	-	-	-	6,138	14,097	
Accounting fees	-	-	-	-	-	12,900	12,900	-	-	-	-	-	12,900	
Parking/shuttle	-	-	450	-	-	-	450	8,847	-	-	-	8,847	9,297	
Training and conferences	-	-	6,257	-	-	90	6,347	200	-	-	-	200	6,547	
Advertising and promotions	-	-	185	-	-	121	306	2,405	-	-	-	2,405	2,711	
Licenses, permits, taxes & fees	-	-	-	-	-	890	890	1,175	-	-	-	1,175	2,065	
Furnishings/equipment/fixtures	-	-	-	-	-	1,148	1,148	-	-	-	-	-	1,148	
\$	25,872	\$ 76,931	\$ 303,558	\$ 20	\$ 89	\$ 538,889	\$ 945,359	\$ 873,076	\$ 16,073	\$ 408	\$ 889,557	\$ 1,834,916		

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2005

	Program Services						Supporting Services						
	Hamilton Christmas Fund	JLN Trust	Community Outreach	Pennington Fund	Mildred B. Ansley Fund		Internal Support	Total Program Services	Annual Fundraisers	Fundraising Capital	Fundraising FJLN	Total	
					Fund	Fund						Services	Supporting Services
In-kind expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383,323	\$ -	\$ -	\$ 383,323	\$ 383,323
Community grants, sponsorships, and assistance	80,452	2,300	176,574	-	-	-	2,987	262,313	2,409	-	-	2,409	264,722
Salaries, temporary services	-	-	44,020	-	-	-	84,394	128,414	44,020	-	-	44,020	172,434
Depreciation	-	-	-	-	-	-	118,993	118,993	7,595	-	-	7,595	126,588
Interest/investment/banking expense	459	29,785	2,623	255	1,186	-	18,560	52,868	-	34,416	575	34,991	87,859
Printing and publications	-	57	4,913	-	-	-	37,312	42,282	36,857	\$ -	-	36,862	79,144
Association and community dues	-	-	-	-	-	-	77,879	77,879	-	-	-	-	77,879
Building repairs and maintenance	-	-	-	-	-	-	64,000	64,000	8,153	-	-	8,153	72,153
Advertising and promotions	-	-	212	-	-	-	1,643	1,855	59,259	-	-	59,259	61,114
Catering and other costs	-	-	3,191	-	-	-	2,500	5,691	54,069	-	-	54,069	59,760
Utilities	-	-	-	-	-	-	48,553	48,553	8,509	-	-	8,509	57,062
Tent and other rentals	-	-	-	-	-	-	-	-	48,775	-	-	48,775	48,775
Cost of sales	-	-	-	-	-	-	-	-	37,438	-	-	37,438	37,438
Insurance	-	-	-	-	-	-	34,869	34,869	-	-	-	-	34,869
Travel, meals and entertainment	-	1,050	11,196	-	-	-	2,328	14,574	16,638	-	-	16,638	31,212
Legal and professional	-	3,300	-	-	-	-	23,547	26,847	1,636	-	-	1,636	28,483
Postage, shipping, mailhouse	-	20	2,743	-	-	-	10,761	13,524	10,370	29	-	10,399	23,923
Security	-	-	-	-	-	-	3,073	3,073	15,602	-	-	15,602	18,675
Supplies	570	166	5,690	515	-	-	3,678	10,619	7,516	\$ -	-	7,521	18,140
Payroll taxes	-	-	3,236	-	-	-	10,118	13,354	3,236	-	-	3,236	16,590
Parking/shuttle	-	-	-	-	-	-	282	282	15,965	-	-	15,965	16,247
Other	150	-	2,523	-	-	-	7,748	10,421	3,292	-	16,244	19,536	29,957
Furnishings/equipment/fixtures	-	-	-	-	-	-	10,363	10,363	-	4,100	-	4,100	14,463
Training and conferences	-	-	7,014	-	-	-	1,413	8,427	100	-	-	100	8,527
Pension plan contributions	-	-	1,936	-	-	-	3,871	5,807	1,936	-	-	1,936	7,743
Program costs	-	5,040	-	-	-	-	-	5,040	-	-	-	-	5,040
Licenses, permits, taxes & fees	-	-	-	-	-	-	760	760	2,343	-	-	2,343	3,103
Equipment leases and maintenance	-	-	2,308	-	-	-	248	2,556	-	-	-	-	2,556
	\$ 81,631	\$ 41,718	\$ 268,179	\$ 770	\$ 1,186	\$ 1,186	\$ 569,880	\$ 963,364	\$ 769,041	\$ 38,555	\$ 16,819	\$ 824,415	\$ 1,787,779

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended May 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 894,707	\$ 431,588
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net unrealized and realized gains on investments	(767,164)	(584,362)
Depreciation	121,916	126,588
Change in operating assets and liabilities:		
Accounts receivable	-	22,441
Unconditional promises to give	(9,101)	554,950
Book inventory	(68,518)	29,825
Other assets	-	1,365
Accounts payable and accrued expenses	27,965	(123,269)
Grants payable	(285,158)	(294,072)
Deferred membership dues	2,618	1,003
Net cash (used in) provided by operating activities	<u>(82,735)</u>	<u>166,057</u>
Cash flows from investing activities:		
Net sales of investments	127,498	455,916
Purchases of land, building and equipment	<u>(2,681)</u>	<u>(36,585)</u>
Net cash provided by investing activities	<u>124,817</u>	<u>419,331</u>
Cash flows from financing activities:		
Principal payments on note payable	(150,000)	(200,000)
Borrowings on line of credit	70,552	-
Payments on line of credit	<u>-</u>	<u>(549,433)</u>
Net cash used in financing activities	<u>(79,448)</u>	<u>(749,433)</u>
Net decrease in cash and cash equivalents	(37,366)	(164,045)
Cash and cash equivalents, beginning of year	<u>259,168</u>	<u>423,213</u>
Cash and cash equivalents, end of year	<u><u>\$ 221,802</u></u>	<u><u>\$ 259,168</u></u>
Supplemental schedule of cash flow information:		
Interest paid	<u><u>\$ 17,200</u></u>	<u><u>\$ 34,416</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2006 and 2005

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General

Established in 1922, The Junior League of Nashville, Inc. and Affiliate (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.

Principles of Consolidation

The financial statements include the accounts of the League and its affiliated supporting organization, Friends of Junior League of Nashville, Inc. All significant inter-entity transactions and balances have been eliminated in consolidation.

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 interest of children in need of convalescent care and related medical service because of crippling disease or other impairment, and of children in need of care and treatment who are crippled or impaired by nervous or emotional problems, including, but not limited to, children suffering from learning or behavior problems. The fair market value of assets held by the trust amounted to \$9,541,591 and \$8,994,181 at May 31, 2006 and 2005, respectively, and are included in the assets of the League.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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:

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 statement of activities as net assets released from restrictions.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

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

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 under the provisions of Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Land, Building and Equipment

Land, building and equipment are stated at cost, except those received by gift, which are stated at 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.

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 Organization uses the allowance method to determine uncollectible unconditional promises to give.

Book Inventory

Book inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

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 \$488,160 and \$383,323 for the years ended May 31, 2006 and 2005, respectively.

The League receives donated services from a variety of unpaid members and other volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 has not been satisfied. However, during 2006 and 2005, members provided in excess of 113,000 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.

Advertising

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the League's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

The composition of investments as of May 31 is as follows:

	<u>2006</u>	<u>2005</u>
	<u>Market</u>	<u>Market</u>
U.S. Treasury notes	\$ 2,148,008	\$ 848,471
Corporate stocks	1,276,419	3,532,247
Mutual funds	6,984,984	5,094,833
Money market/cash equivalents	<u>303,110</u>	<u>597,304</u>
	<u>\$10,712,521</u>	<u>\$10,072,855</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

NOTE 3 – INVESTMENTS (Continued)

Investments are classified as follows:

	<u>2006</u>	<u>2005</u>
Current	\$ 300,000	\$ 300,000
Noncurrent	<u>10,412,521</u>	<u>9,772,855</u>
Total	<u>\$10,712,521</u>	<u>\$10,072,855</u>

During 2006 and 2005, interest and dividends earned from these investments totaled \$217,861 and \$87,007, respectively. Net appreciation on investments amounted to \$767,164 and \$584,362, respectively.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2006</u>	<u>2005</u>
“Future Building” campaign/other	\$ 174,661	\$ 418,603
Anniversary Community Endowment Fund	255,000	-
Less: discount to net present value	<u>(7,792)</u>	<u>(5,835)</u>
	<u>\$ 421,869</u>	<u>\$ 412,768</u>
Receivable in less than one year	\$ 346,327	\$ 318,603
Receivable in one to five years, net	<u>75,542</u>	<u>94,165</u>
	<u>\$ 421,869</u>	<u>\$ 412,768</u>

The unconditional promises to give for “Future Building” campaign/other are primarily to be used to pay for the building purchased during fiscal 2000 and renovations at the 2202 Crestmoor location. The unconditional promises to give for the Anniversary Community Endowment Fund is to provide financial support for the activities of the League that improve the welfare of the community. An allowance for uncollectible contributions has not been provided as management deems all contributions fully collectible. Gross contributions have been discounted to account for the time value of money using a rate of approximately 5%.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

NOTE 5 – LAND, BUILDING AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Land	\$ 631,000	\$ 631,000
Buildings	2,261,645	2,261,645
Equipment – headquarters	<u>516,941</u>	<u>554,405</u>
	3,409,586	3,447,050
Less accumulated depreciation	<u>(985,411)</u>	<u>(903,640)</u>
Net land, building and equipment	<u>\$ 2,424,175</u>	<u>\$ 2,543,410</u>

NOTE 6 – NOTES PAYABLE

Long-term debt is comprised of the following:

	<u>2006</u>	<u>2005</u>
Note payable to bank, interest at 4.00% per annum, secured by building, interest payable monthly through March 3, 2006, principal payments are due annually on November 15 through 2004, with final payment on March 3, 2006.	\$ -	\$ 150,000

Revolving line of credit with a commercial bank.

The line of credit was renewed April 2006 and provides for a fixed rate of interest equal to 6.78%. Total borrowings available under the new agreement are \$750,000. The note has a maturity date of March 3, 2008. The line of credit is secured by cash and investments.

<u>296,119</u>	<u>225,567</u>
<u>\$ 296,119</u>	<u>\$ 375,567</u>

In June 2006, the League made a payment of approximately \$115,000 on the line of credit.

NOTE 7 – GRANTS PAYABLE

The League's board of directors and advisory board reached an agreement in April 2003 to provide Vanderbilt Children's Hospital (VCH) \$300,000 on an annual basis beginning in November 2003 and continuing through May 2007. The proceeds are to be used for the operation of a number of programs at VCH as described in the agreement. This agreement represents an unconditional promise to give and has been recorded as a liability in the League's statement of financial position. The remaining balance of the payable amounts to \$300,000 and is due in fiscal 2007.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

NOTE 8 – ALLOCATION OF FUNCTIONAL EXPENSES

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

NOTE 9 – DONOR RESTRICTED AND BOARD OF DIRECTORS DESIGNATED NET ASSETS

The components of donor restricted (temporarily restricted) and board of directors' designated net assets as of May 31, 2006 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 9,241,590
Operation Reserve – Care for children	-	406,930
Hamilton Fund – Gladden the Hearts of the Children at Christmas	-	33,804
“Future Building” Campaign contributions receivable, net	-	174,661
Anniversary Community Endowment Fund contributions, net	-	247,209
Mildred B. Ansley Fund – JLN operations	162,710	-
Pennington Fund – Esprit de Corp	37,231	-
Community Endowment Fund	<u>73,091</u>	<u>-</u>
	<u>\$ 273,032</u>	<u>\$10,104,194</u>

The components of donor restricted (temporarily restricted) and board of directors' designated net assets as of May 31, 2005 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 8,409,023
Operation Reserve – Care for children	-	390,774
Hamilton Fund – Gladden the Hearts of the Children at Christmas	-	26,114
“Future Building” Campaign contributions receivable, net	-	412,643
Mildred B. Ansley Fund – JLN operations	160,419	-
Pennington Fund – Esprit de Corp	36,600	-
Community Endowment Fund	<u>55,549</u>	<u>-</u>
	<u>\$ 252,568</u>	<u>\$ 9,238,554</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

NOTE 9 – DONOR RESTRICTED AND BOARD OF DIRECTORS DESIGNATED NET ASSETS (Continued)

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 Junior League Home for Crippled Children.

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

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 in the Junior League Home at Vanderbilt Children’s Hospital.

“Future Building” Campaign. This balance represents contributions restricted for the renovation of the new building purchased during 2000 and for renovation of the 2202 Crestmoor location.

Anniversary Community Endowment Fund. This balance represents contributions restricted 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 until the fund exceeds a balance of \$1,000,000.

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.

Pennington Fund – Esprit de Corp. This balance represents a memorial to Florence B. Pennington, whose income should be used to promote esprit de corp among the membership.

Community Endowment Fund. This balance represents board designated endowment funds to be maintained by Friends of Junior League of Nashville, Inc.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year, the League’s cash and cash equivalent balances exceeded the Federally insured limits.

Amounts receivable from two donors at May 31, 2006 totaled \$350,000.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
May 31, 2006 and 2005

NOTE 10 – FRIENDS OF JUNIOR LEAGUE OF NASHVILLE, INC.

Friends of Junior League of Nashville, Inc. (“Friends”) was established effective May 30, 2002. Friends was established as a separate 501(c)(3) entity to support the charitable activities of the League. The financial statements of Friends are consolidated with the League in the accompanying financial statements, as the League is its sole member.

SUPPLEMENTAL INFORMATION

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2006

Assets

	Organization	Friends of Junior League of Nashville, Inc.	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 166,660	\$ 55,142	\$ -	\$ 221,802
Book inventory	110,762	-	-	110,762
Unconditional promises to give	174,661	189,616	(17,950)	346,327
Investments	300,000	-	-	300,000
Total current assets	752,083	244,758	(17,950)	978,891
Investments	10,412,521		-	10,412,521
Unconditional promises to give, net of current portion and discount	-	75,542	-	75,542
Land, building and equipment	3,409,586	-	-	3,409,586
Less: accumulated depreciation	(985,411)	-	-	(985,411)
Net land, building and equipment	2,424,175	-	-	2,424,175
Total assets	<u>\$ 13,588,779</u>	<u>\$ 320,300</u>	<u>\$ (17,950)</u>	<u>\$ 13,891,129</u>

Liabilities and Net Assets

Current liabilities:				
Accounts payable and accrued expenses	\$ 78,572	\$ -	\$ (17,950)	\$ 60,622
Deferred membership dues	302,456	-	-	302,456
Grants payable	300,000	-	-	300,000
Notes payable	296,119	-	-	296,119
Total current liabilities	977,147	-	(17,950)	959,197
Total liabilities	977,147	-	(17,950)	959,197
Net assets:				
Unrestricted:				
Undesignated	2,554,706	-	-	2,554,706
Designated	199,941	73,091	-	273,032
Total unrestricted net assets	2,754,647	73,091	-	2,827,738
Temporarily restricted	9,856,985	247,209	-	10,104,194
Total net assets	12,611,632	320,300	-	12,931,932
Total liabilities and net assets	<u>\$ 13,588,779</u>	<u>\$ 320,300</u>	<u>\$ (17,950)</u>	<u>\$ 13,891,129</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended May 31, 2006

	Organization	Friends of Junior League of Nashville, Inc.	Eliminations	Consolidated
<u>Unrestricted</u>				
Revenue:				
Contributions and other	\$ 399,093	\$ 17,950	\$ (38,826)	\$ 378,217
Investment return, net	128,612	-	-	128,612
Membership dues and fees	305,444	-	-	305,444
Cookbook sales	51,652	-	-	51,652
Fundraising income (including in-kind of \$488,160)	762,076	-	-	762,076
Satisfaction of program restrictions	237,982	-	-	237,982
Total revenue	1,884,859	17,950	(38,826)	1,863,983
Expenses:				
Program services (including in-kind of \$5,000)	963,309	-	(17,950)	945,359
Supporting services (including in-kind of \$483,160)	889,149	21,284	(20,876)	889,557
Total expenses	1,852,458	21,284	(38,826)	1,834,916
Change in unrestricted net assets	32,401	(3,334)	-	29,067
Unrestricted net assets, beginning of year	2,722,246	76,425	-	2,798,671
Unrestricted net assets, end of year	<u>\$ 2,754,647</u>	<u>\$ 73,091</u>	<u>\$ -</u>	<u>\$ 2,827,738</u>
<u>Temporarily Restricted</u>				
Revenue:				
Contributions and other	\$ -	\$ 247,209	\$ -	\$ 247,209
Investment return, net	856,413	-	-	856,413
Satisfaction of program restrictions	(237,982)	-	-	(237,982)
Total revenue	618,431	247,209	-	865,640
Change in temporarily restricted net assets	618,431	247,209	-	865,640
Temporarily restricted net assets, beginning of year	9,238,554	-	-	9,238,554
Temporarily restricted net assets, end of year	<u>\$ 9,856,985</u>	<u>\$ 247,209</u>	<u>\$ -</u>	<u>\$ 10,104,194</u>

See accompanying notes to financial statements.