

THE JUNIOR LEAGUE OF NASHVILLE, INC.

FINANCIAL STATEMENTS

May 31, 2014 and 2013

THE JUNIOR LEAGUE OF NASHVILLE, INC.

TABLE OF CONTENTS

Independent Auditor's Report.....	2 – 3
Audited Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5 – 6
Statements of Functional Expenses	7 – 8
Statements of Cash Flows.....	9
Notes to the Financial Statements.....	10 – 21



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, 2014 and 2013, 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, 2014 and 2013, 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

October 24, 2014

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2014 and 2013

	Assets	2014	2013
Current assets:			
Cash and cash equivalents		\$ 334,849	\$ 340,001
Accounts receivable		1,361	6,667
Prepaid expense and other		10,763	26,017
Investments		300,000	300,000
Total current assets		<u>646,973</u>	<u>672,685</u>
Investments		14,242,295	13,038,630
Beneficial interests in perpetual trusts		994,920	936,337
Land, building and equipment		1,844,487	1,836,998
Less: accumulated depreciation		<u>(1,197,342)</u>	<u>(1,135,505)</u>
Net land, building and equipment		<u>647,145</u>	<u>701,493</u>
Total assets		<u><u>\$ 16,531,333</u></u>	<u><u>\$ 15,349,145</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		\$ 2,691	\$ 30,569
Deferred membership dues and event income		233,184	245,114
Grant payable, current portion		<u>300,000</u>	<u>300,000</u>
Total current liabilities		535,875	575,683
Grant payable, net of current portion and discount		<u>592,043</u>	<u>884,090</u>
Total liabilities		<u>1,127,918</u>	<u>1,459,773</u>
Net assets:			
Unrestricted:			
Undesignated		758,242	798,494
Designated		<u>4,010,724</u>	<u>3,581,618</u>
Total unrestricted net assets		4,768,966	4,380,112
Temporarily restricted		9,639,529	8,572,923
Permanently restricted		<u>994,920</u>	<u>936,337</u>
Total net assets		<u>15,403,415</u>	<u>13,889,372</u>
Total liabilities and net assets		<u><u>\$ 16,531,333</u></u>	<u><u>\$ 15,349,145</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Membership dues and fees	\$ 259,889	\$ -	\$ -	\$ 259,889
Contributions and other (including in-kind of \$619)	225,569	5,175	-	230,744
Fundraising income (including in-kind of \$20,477)	98,053	-	-	98,053
Satisfaction of program restrictions	28,854	(28,854)	-	-
Total revenue	<u>612,365</u>	<u>(23,679)</u>	<u>-</u>	<u>588,686</u>
Expenses:				
Program services (including in-kind of \$619)	552,593	-	-	552,593
Supporting services (including in-kind of \$20,477)	134,044	-	-	134,044
Total expenses	<u>686,637</u>	<u>-</u>	<u>-</u>	<u>686,637</u>
Change in net assets, before investment gain	(74,272)	(23,679)	-	(97,951)
Gain on beneficial interest in perpetual trusts	-	-	58,583	58,583
Investment gain, net	463,126	1,090,285	-	1,553,411
Change in net assets	388,854	1,066,606	58,583	1,514,043
Net assets, beginning of year	<u>4,380,112</u>	<u>8,572,923</u>	<u>936,337</u>	<u>13,889,372</u>
Net assets, end of year	<u>\$ 4,768,966</u>	<u>\$ 9,639,529</u>	<u>\$ 994,920</u>	<u>\$ 15,403,415</u>

See accompanying notes to financial statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Membership dues and fees	\$ 257,953	\$ -	\$ -	\$ 257,953
Contributions and other (including in-kind of \$19,261)	231,295	26,100	-	257,395
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	<u>582,010</u>	<u>2,094,690</u>	<u>-</u>	<u>2,676,700</u>
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, as previously reported	4,329,039	8,623,996	936,337	13,889,372
Restatement	<u>51,073</u>	<u>(51,073)</u>	<u>-</u>	<u>-</u>
Net assets, end of year, as restated	<u>\$ 4,380,112</u>	<u>\$ 8,572,923</u>	<u>\$ 936,337</u>	<u>\$ 13,889,372</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2014

	Program Services						Supporting Services		
	Hamilton Christmas Fund	Mildred B.			Total		Annual Fundraisers Expenses		
		JLN Trust	PRKK Trusts	Community Outreach	Ansley Fund	Internal Support		Program Services	
	\$ -	-	\$ -	\$ 24,344	\$ -	\$ 60,860	\$ 85,204	\$ 36,516	\$ 121,720
Salaries, taxes and benefits									
Community grants, sponsorships, and assistance									
Event costs	32,371	7,953	51,761	-	-	-	92,085	-	92,085
Bank and investment expense	-	-	95	-	-	10,318	10,413	66,961	77,374
Membership dues	-	22,268	1,422	11,918	1,880	30,494	67,982	235	68,217
Depreciation	-	-	-	-	-	63,683	63,683	-	63,683
Other contract services	-	-	-	-	-	58,128	58,128	3,710	61,838
Insurance	-	-	-	73	-	29,622	29,695	-	29,695
Facilities and equipment - other	-	-	-	-	-	24,786	24,786	-	24,786
In-kind expenses									
Technology	-	-	-	337	-	282	619	20,477	21,096
Utilities	-	-	-	15	-	17,347	17,362	-	17,362
Legal and professional	-	-	-	-	-	15,603	15,603	-	15,603
Printing and copying	-	-	-	-	-	14,500	14,500	-	14,500
Training and education	-	-	-	3,284	-	7,370	10,654	3,159	13,813
Supplies	-	-	275	39	-	13,034	13,348	-	13,348
Other	-	-	-	6,995	-	2,581	9,576	56	9,632
Telephone	-	-	81	-	-	6,140	6,221	1,464	7,685
Postage and shipping	-	-	-	-	-	7,448	7,448	-	7,448
	-	-	-	349	-	2,199	2,548	1,466	4,014
	\$ 32,371	\$ 30,221	\$ 53,634	\$ 47,354	\$ 1,880	\$ 387,133	\$ 552,593	\$ 134,044	\$ 686,637

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		
	Hamilton Christmas Fund	JLN Trust	PRKK Trusts	Community Outreach	Mildred B. Ansley Fund	Internal Support	Total Program Services	Annual Fundraisers
Community grants, sponsorships, and assistance	\$ 27,599	\$ -	\$ 48,512	\$ 98,700	\$ -	\$ 1,750	\$ 176,561	\$ -
Salaries, taxes and benefits	-	-	-	36,470	-	72,940	109,410	36,470
Event costs	-	-	743	1,208	-	12,101	14,052	74,356
Bank and investment expense	-	30,089	1,898	10,445	1,728	29,756	73,916	290
Depreciation	-	-	-	-	-	58,578	58,578	3,739
Membership dues	-	-	-	-	-	59,617	59,617	-
In-kind expenses	-	-	245	16,726	-	2,290	19,261	30,285
Facilities and equipment - other	-	-	-	-	-	27,569	27,569	-
Printing and copying	-	-	-	86	-	16,750	16,836	7,976
Insurance	-	-	-	-	-	23,474	23,474	-
Training and education	-	-	347	-	-	20,601	20,948	-
Other	-	-	70	15	-	17,350	17,435	1,974
Legal and professional	-	-	-	-	-	18,377	18,377	-
Utilities	-	-	-	-	-	15,975	15,975	-
Other contract services	-	-	-	-	-	11,275	11,275	-
Technology	-	-	-	-	-	9,431	9,431	-
Telephone	-	-	-	-	-	7,696	7,696	-
Postage and shipping	-	-	-	-	-	5,072	5,072	2,055
Supplies	-	-	38	88	-	1,097	1,223	94
	\$ 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.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,514,043	\$ 2,511,409
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized gain on investments	(1,238,366)	(2,487,195)
Gain on beneficial interest in perpetual trust	(58,583)	(64,247)
Loss on disposal of property	-	757
Depreciation	61,838	62,317
Change in operating assets and liabilities:		
Accounts receivable	5,306	125
Prepaid expense and other	15,254	(23,804)
Accounts payable and accrued expenses	(27,878)	15,943
Deferred membership dues	(11,930)	3,076
Grants payable	(292,047)	(375,000)
Net cash used in operating activities	<u>(32,363)</u>	<u>(356,619)</u>
Cash flows from investing activities:		
Sales of investments	2,077,196	2,754,555
Purchases of investments	(2,042,495)	(2,322,682)
Purchases of land, building and equipment	<u>(7,490)</u>	<u>(22,428)</u>
Net cash provided by investing activities	<u>27,211</u>	<u>409,445</u>
Net (decrease) increase in cash and cash equivalents	(5,152)	52,826
Cash and cash equivalents, beginning of year	<u>340,001</u>	<u>287,175</u>
Cash and cash equivalents, end of year	<u><u>\$ 334,849</u></u>	<u><u>\$ 340,001</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2014 and 2013

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 \$9,250,068 and \$8,227,264 and at May 31, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 \$21,096 and \$49,546 for the years ended May 31, 2014 and 2013, 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 2014, 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, 2012 through May 31, 2014.

Advertising

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

Reclassifications

Certain reclassifications have been made to 2013 balances to conform with 2014 presentation.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

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

Subsequent Events

The League evaluated subsequent events through October 24, 2014, 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.

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 JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate stocks	\$ 8,424,234	\$ -	\$ -	\$ 8,424,234
Mutual funds	2,825,507	-	-	2,825,507
Fixed income	1,853,106	-	-	1,853,106
Money market funds	1,211,323	-	-	1,211,323
US Treasury notes	<u>228,125</u>	<u>-</u>	<u>-</u>	<u>228,125</u>
Total assets at fair value	<u>\$ 14,542,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,542,295</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 994,920</u>	<u>\$ 994,920</u>

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 JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The summary of changes in the fair value of the League's level 3 assets for the year ended May 31, 2014 and 2013 are as follows:

	<u>2014</u> <u>Beneficial</u> <u>Interest in</u> <u>Trusts</u>	<u>2013</u> <u>Beneficial</u> <u>Interest in</u> <u>Trusts</u>
Balance, beginning of year	\$ 936,337	\$ 872,090
Realized and unrealized (loss) gain	<u>58,583</u>	<u>64,247</u>
Balance, end of year	<u>\$ 994,920</u>	<u>\$ 936,337</u>

Investments are classified as follows:

	<u>2014</u>	<u>2013</u>
Current	\$ 300,000	\$ 300,000
Noncurrent	<u>14,242,295</u>	<u>13,038,630</u>
Total	<u>\$ 14,542,295</u>	<u>\$ 13,338,630</u>

For the years ended May 31, 2014 and 2013, interest and dividends earned from these investments totaled \$315,045 and \$189,505, respectively. Net appreciation of investments amounted to \$1,238,366 and \$2,487,195 for the years ended May 31, 2014 and 2013, respectively.

NOTE 3 – LAND, BUILDING AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Land	\$ 125,000	\$ 125,000
Building	1,356,504	1,356,504
Software	66,427	66,427
Equipment	<u>296,557</u>	<u>289,067</u>
	1,844,487	1,836,998
Less accumulated depreciation	<u>(1,197,342)</u>	<u>(1,135,505)</u>
Net land, building and equipment	<u>\$ 647,145</u>	<u>\$ 701,493</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

NOTE 4 – GRANT PAYABLE

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 liability for grant payable at May 31 is as follows:

	<u>2014</u>	<u>2013</u>
Amount payable to VCH	\$ 900,000	\$ 1,200,000
Less: discount to net present value	<u>(7,957)</u>	<u>(15,910)</u>
	<u><u>\$ 892,043</u></u>	<u><u>\$ 1,184,090</u></u>
Payable in less than one year	\$ 300,000	\$ 300,000
Payable in one to five years, net	<u>592,043</u>	<u>884,090</u>
	<u><u>\$ 892,043</u></u>	<u><u>\$ 1,184,090</u></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.

2014 Endowment Net Asset Composition by Type of Fund as of May 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 1,076,877	\$ 224,059	\$ -	\$ 1,300,936
Operating Expense Endowment Fund	2,735,832	10,925	-	2,746,757
Mildred B. Ansley Fund	<u>198,015</u>	<u>-</u>	<u>-</u>	<u>198,015</u>
Total endowment	<u><u>\$ 4,010,724</u></u>	<u><u>\$ 234,984</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,245,708</u></u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

NOTE 5 – ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets for the year ended May 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,581,618	\$ 207,294	\$ -	\$ 3,788,912
Investment return	416,096	22,515	-	438,611
Contributions	25,000	5,150	-	30,150
Board designated transfer	<u>(11,990)</u>	<u>25</u>	<u>-</u>	<u>(11,965)</u>
Endowment net assets, end of year	<u>\$ 4,010,724</u>	<u>\$ 234,984</u>	<u>\$ -</u>	<u>\$ 4,245,708</u>

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	\$ 943,692	\$ 196,394	\$ -	\$ 1,140,086
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>\$ 3,581,618</u>	<u>\$ 207,294</u>	<u>\$ -</u>	<u>\$ 3,788,912</u>

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	415,124	5,842	-	420,966
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>\$ 3,581,618</u>	<u>\$ 207,294</u>	<u>\$ -</u>	<u>\$ 3,788,912</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

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 over \$14 million of investments in debt and equity securities as of May 31, 2014, which are subject to market risk.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2014 and 2013

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, 2014 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 9,250,068	\$ -
Operation Reserve – Care for Children	-	154,477	-
Anniversary Community Endowment Fund	1,076,877	224,059	-
Operating Expense Endowment Fund	2,735,832	10,925	-
Mildred B. Ansley Fund – JLN operations	198,015	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>994,920</u>
	<u>\$ 4,010,724</u>	<u>\$9,639,529</u>	<u>\$ 994,920</u>

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	943,692	196,394	-
Operating Expense Endowment Fund	2,449,356	10,900	-
Mildred B. Ansley Fund – JLN operations	188,570	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>936,337</u>
	<u>\$ 3,581,618</u>	<u>\$8,572,923</u>	<u>\$ 936,337</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, 2014 and 2013

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.

NOTE 9 – RESTATEMENT

Temporarily restricted net assets reported at May 31, 2013 have been restated to properly reflect net asset balances.