

THE JUNIOR LEAGUE OF NASHVILLE, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2020 and 2019

And Report of Independent Auditor

THE JUNIOR LEAGUE OF NASHVILLE, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position 3
Statements of Activities..... 4-5
Statements of Functional Expenses 6-7
Statements of Cash Flows 8
Notes to the Financial Statements 9-19

Report of Independent Auditor

To the Board of Directors
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, 2020 and 2019, 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 audits 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 Junior League of Nashville, Inc.'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 Junior League of Nashville, Inc.'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 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 10, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect revenue and have other material adverse effects on The Junior League of Nashville, Inc. Our opinion is not modified with respect to this matter.

Cheng Bekeant LLP

Nashville, Tennessee
November 5, 2020

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

MAY 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 417,043	\$ 230,038
Accounts receivable	8,496	350
Prepaid expenses	-	372
Investments	200,000	200,000
Total Current Assets	<u>625,539</u>	<u>430,760</u>
Investments	<u>15,790,719</u>	<u>15,128,135</u>
Beneficial interests in perpetual trusts	<u>969,238</u>	<u>961,786</u>
Land, building, and equipment	1,855,916	1,841,505
Less accumulated depreciation	<u>(1,446,451)</u>	<u>(1,398,674)</u>
Net Land, Building, and Equipment	<u>409,465</u>	<u>442,831</u>
Total Assets	<u><u>\$ 17,794,961</u></u>	<u><u>\$ 16,963,512</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 29,200	\$ 22,927
Deferred membership dues and event income	185,086	210,846
Grant payable, current portion	<u>200,000</u>	<u>200,000</u>
Total Current Liabilities	414,286	433,773
Note payable	31,895	-
Grant payable, net of current portion and discount	<u>391,928</u>	<u>578,532</u>
Total Liabilities	<u>838,109</u>	<u>1,012,305</u>
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	588,458	428,447
Designated	<u>5,335,155</u>	<u>5,136,306</u>
Total Net Assets Without Donor Restrictions	5,923,613	5,564,753
Net Assets With Donor Restrictions	<u>11,033,239</u>	<u>10,386,454</u>
Total Net Assets	<u>16,956,852</u>	<u>15,951,207</u>
Total Liabilities and Net Assets	<u><u>\$ 17,794,961</u></u>	<u><u>\$ 16,963,512</u></u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions and other	\$ 100,147	\$ 131,876	\$ 232,023
Membership dues and fees	249,176	-	249,176
Fundraising income (including in-kind of \$109,715)	140,699	-	140,699
Satisfaction of program restrictions	267,173	(267,173)	-
Total Revenue	757,195	(135,297)	621,898
Expenses:			
Program services	583,559	-	583,559
Supporting services (including in-kind of \$109,715)	197,107	-	197,107
Total Expenses	780,666	-	780,666
Change in net assets, before investment gain	(23,471)	(135,297)	(158,768)
Gain on beneficial interest in perpetual trusts	-	7,452	7,452
Investment gain, net	382,331	774,630	1,156,961
Change in net assets	358,860	646,785	1,005,645
Net assets, beginning of year	5,564,753	10,386,454	15,951,207
Net assets, end of year	\$ 5,923,613	\$ 11,033,239	\$ 16,956,852

The accompanying notes to the financial statements are an integral part of these statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED MAY 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions and other	\$ 162,682	\$ 34,829	\$ 197,511
Membership dues and fees	248,356	-	248,356
Fundraising income (including in-kind of \$93,149)	175,330	-	175,330
Satisfaction of program restrictions	42,097	(42,097)	-
Total Revenue	628,465	(7,268)	621,197
Expenses:			
Program services	563,133	-	563,133
Supporting services (including in-kind of \$93,149)	207,167	-	207,167
Total Expenses	770,300	-	770,300
Change in net assets, before investment gain	(141,835)	(7,268)	(149,103)
Loss on beneficial interest in perpetual trusts	-	(56,117)	(56,117)
Investment gain, net	98,797	199,173	297,970
Change in net assets	(43,038)	135,788	92,750
Net assets, beginning of year	5,607,791	10,250,666	15,858,457
Net assets, end of year	\$ 5,564,753	\$ 10,386,454	\$ 15,951,207

The accompanying notes to the financial statements are an integral part of these statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2020

	Program Services						Supporting Services		
	Hamilton Christmas Fund	JLN Trust	PRKK Trusts	Community Outreach	Mildred B. Ansley Fund	Internal Support	Total Program Services	Annual Fundraisers	Total Expenses
Salaries, taxes, and benefits	\$ -	\$ -	\$ -	\$ 32,641	\$ -	\$ 81,603	\$ 114,244	\$ 48,962	\$ 163,206
Community grants, sponsorships, and assistance	45,132	-	-	104,845	-	-	149,977	-	149,977
In-kind expenses	-	-	-	172	-	-	172	109,543	109,715
Event costs	-	-	-	2,949	-	13,011	15,960	10,079	26,039
Membership dues	-	-	-	-	-	61,765	61,765	-	61,765
Legal and professional	-	-	-	390	-	47,345	47,735	12,309	60,044
Depreciation	-	-	-	-	-	44,910	44,910	2,867	47,777
Insurance	-	-	-	-	-	30,330	30,330	-	30,330
Technology	-	-	-	-	-	23,325	23,325	4,672	27,997
Facilities and equipment - other	-	-	-	-	-	22,149	22,149	-	22,149
Utilities	-	-	-	-	-	19,055	19,055	-	19,055
Training and education	-	-	-	-	-	13,012	13,012	-	13,012
Other	-	1,820	1,350	646	117	14,224	18,157	393	18,550
Printing and copying	-	-	-	468	-	8,892	9,360	2,254	11,614
Supplies	-	-	-	-	-	3,472	3,472	5,243	8,715
Telephone	-	-	-	-	-	8,341	8,341	-	8,341
Postage and shipping	-	-	-	-	-	1,595	1,595	785	2,380
	\$ 45,132	\$ 1,820	\$ 1,350	\$ 142,111	\$ 117	\$ 393,029	\$ 583,559	\$ 197,107	\$ 780,666

The accompanying notes to the financial statements are an integral part of these statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MAY 31, 2019

	Program Services							Supporting Services	
	Hamilton Christmas Fund	JLN Trust	PRKK Trusts	Community Outreach	Mildred B. Ansley Fund	Internal Support	Total Program Services	Annual Fundraisers	Total Expenses
Salaries, taxes, and benefits	\$ -	\$ -	\$ -	\$ 28,554	\$ -	\$ 71,386	\$ 99,940	\$ 42,831	\$ 142,771
Community grants, sponsorships, and assistance	42,097	-	-	63,716	-	1,870	107,683	-	107,683
In-kind expenses	-	-	-	-	-	-	-	93,149	93,149
Event costs	-	-	-	10,229	-	18,099	28,328	60,877	89,205
Membership dues	-	-	-	-	-	61,085	61,085	-	61,085
Depreciation	-	-	-	-	-	56,244	56,244	3,590	59,834
Legal and professional	-	-	-	782	-	57,499	58,281	550	58,831
Insurance	-	-	-	-	-	27,847	27,847	-	27,847
Utilities	-	-	-	-	-	24,825	24,825	-	24,825
Facilities and equipment - other	-	-	-	-	-	24,326	24,326	-	24,326
Training and education	-	-	-	-	-	21,520	21,520	-	21,520
Technology	-	-	-	-	-	15,305	15,305	-	15,305
Printing and copying	-	-	-	188	-	13,619	13,807	765	14,572
Supplies	-	-	-	674	-	5,118	5,792	4,527	10,319
Other	-	-	-	-	-	8,685	8,685	102	8,787
Bank and investment expense	-	2,164	1,606	768	140	2,304	6,982	-	6,982
Postage and shipping	-	-	-	-	-	2,483	2,483	776	3,259
	\$ 42,097	\$ 2,164	\$ 1,606	\$ 104,911	\$ 140	\$ 412,215	\$ 563,133	\$ 207,167	\$ 770,300

The accompanying notes to the financial statements are an integral part of these statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,005,645	\$ 92,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized (gain) loss on investments	(803,329)	52,133
(Gain) loss on beneficial interest in perpetual trust	(7,452)	56,117
Depreciation	47,777	59,834
Change in operating assets and liabilities:		
Accounts receivable	(8,146)	2,350
Prepaid expense and other	372	(372)
Accounts payable and accrued expenses	6,273	3,601
Deferred membership dues and event income	(25,760)	4,361
Grants payable	(186,604)	(200,000)
Net cash provided by operating activities	<u>28,776</u>	<u>70,774</u>
Cash flows from investing activities:		
Sales of investments	494,378	1,602,989
Purchases of investments	(353,633)	(1,853,102)
Purchases of land, building, and equipment	(14,411)	(19,476)
Net cash provided by (used in) investing activities	<u>126,334</u>	<u>(269,589)</u>
Cash flows from financing activities:		
Proceeds from loan payable	31,895	-
Net cash provided by financing activities	<u>31,895</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	187,005	(198,815)
Cash and cash equivalents, beginning of year	230,038	428,853
Cash and cash equivalents, end of year	<u><u>\$ 417,043</u></u>	<u><u>\$ 230,038</u></u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

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 \$9,758,632 and \$9,223,543 at May 31, 2020 and 2019, respectively, and are included in the assets of the League.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

THE JUNIOR LEAGUE OF NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 1—Nature of activities and significant accounting policies (continued)

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 3 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.

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

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

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

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

Donated Goods and Services – The League received in-kind contributions of materials and supplies primarily related to fundraising efforts in the amounts of \$109,715 and \$93,149 for the years ended May 31, 2020 and 2019, 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 2020 and 2019, members provided in excess of 50,000 hours of service to various League programs.

THE JUNIOR LEAGUE OF NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 1—Nature of activities and significant accounting policies (continued)

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.

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

Recently Adopted Accounting Pronouncements – In June 2018, FASB issued Accounting Standards Update “ASU” 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The League evaluated the new standard and determined that the accounting standard did not require a change to the League’s practices for recording contributions.

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the League for the year ending May 31, 2021. The League is currently evaluating the effect of the implementation of this new standard.

Advertising – The League’s advertising is non-direct and the costs are expensed as incurred. The League did not incur significant advertising expenses for the years ended May 31, 2020 and 2019.

Reclassifications – Certain reclassifications have been made to 2019 balances to conform with 2020 presentation.

Subsequent Events – The League evaluated subsequent events through November 5, 2020, 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 THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 2—Liquidity and availability

The League regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the League considers all expenditures related to its ongoing activities of promoting voluntarism and developing the potential of women and improving community through effective action and trained volunteers, as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 417,043	\$ 230,038
Investments	15,990,719	15,328,135
Accounts receivable	<u>8,496</u>	<u>350</u>
Total financial assets, at year-end	16,416,258	15,558,523
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with board designations	(5,335,155)	(5,136,306)
Net assets with donor restrictions	(10,064,001)	(9,424,668)
Endowment	<u>(969,238)</u>	<u>(961,786)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 47,864</u>	<u>\$ 35,763</u>

Net assets with board designations may be used at the discretion of the Board of Directors for operational purposes.

THE JUNIOR LEAGUE OF NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 3—Investments and fair value measurements

The League has adopted the provisions of the *Fair Value Measurement Topic* of FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The applicable levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the League has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 3—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, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equities	\$ 11,411,812	\$ -	\$ -	\$ 11,411,812
Fixed income	4,477,503	-	-	4,477,503
Money market funds	101,404	-	-	101,404
Total assets at fair value	<u>\$ 15,990,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,990,719</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 969,238</u>	<u>\$ 969,238</u>

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Equities	\$ 10,267,678	\$ -	\$ -	\$ 10,267,678
Fixed income	4,714,369	-	-	4,714,369
Money market funds	346,088	-	-	346,088
Total assets at fair value	<u>\$ 15,328,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,328,135</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,786</u>	<u>\$ 961,786</u>

The summary of changes in the fair value of the League's Level 3 assets for the years ended May 31 are as follows:

	2020	2019
Balance, beginning of year	\$ 961,786	\$ 1,017,903
Realized and unrealized gain (loss)	7,452	(56,117)
Balance, end of year	<u>\$ 969,238</u>	<u>\$ 961,786</u>

Investments are classified as follows:

	2020	2019
Current	\$ 200,000	\$ 200,000
Noncurrent	15,790,719	15,128,135
	<u>\$ 15,990,719</u>	<u>\$ 15,328,135</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 4—Land, building, and equipment

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

	2020	2019
Land	\$ 125,000	\$ 125,000
Building	1,409,892	1,400,210
Software	66,427	66,242
Equipment	254,597	250,053
	1,855,916	1,841,505
Less accumulated depreciation	(1,446,451)	(1,398,674)
Net land, building, and equipment	<u>\$ 409,465</u>	<u>\$ 442,831</u>

Note 5—Grant payable

In December 2015, the League entered into an agreement with Vanderbilt Children’s Hospital (“VCH”), effective July 2015, to provide \$1.5 million over the period from June 2017 through June 2022, payable in annual installments. The proceeds are to be used for the operations of a number of programs at VCH as described in the agreement.

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

	2020	2019
Amount payable to VCH	\$ 600,000	\$ 800,000
Less discount to net present value	(8,072)	(21,468)
	<u>\$ 591,928</u>	<u>\$ 778,532</u>
Payable in less than one year	\$ 200,000	\$ 200,000
Payable in one to six years, net	391,928	578,532
	<u>\$ 591,928</u>	<u>\$ 778,532</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 6—Endowment funds

The League's endowment funds consist of board-restricted and donor-restricted net assets which are held in investment accounts. As required by U.S. GAAP, 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, the Mildred B. Ansley Fund, and perpetual trusts.

Endowment net asset composition by type of fund as of May 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Anniversary Community Endowment Fund	\$ 2,723,689	\$ -	\$ 2,723,689
Operating Expense Endowment Fund	2,439,312	-	2,439,312
Mildred D. Ansley Fund	172,154	-	172,154
Perpetual trusts	-	969,238	969,238
Total endowment	<u>\$ 5,335,155</u>	<u>\$ 969,238</u>	<u>\$ 6,304,393</u>

Changes in endowment net assets for the year ended May 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,136,306	\$ 961,786	\$ 6,098,092
Investment return	382,317	7,452	389,769
Additions	-	-	-
Distributions, net	(183,468)	-	(183,468)
Endowment net assets, end of year	<u>\$ 5,335,155</u>	<u>\$ 969,238</u>	<u>\$ 6,304,393</u>

Endowment net asset composition by type of fund as of May 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Anniversary Community Endowment Fund	\$ 2,570,543	\$ -	\$ 2,570,543
Operating Expense Endowment Fund	2,394,125	-	2,394,125
Mildred D. Ansley Fund	171,638	-	171,638
Perpetual trusts	-	961,786	961,786
Total endowment	<u>\$ 5,136,306</u>	<u>\$ 961,786</u>	<u>\$ 6,098,092</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 6—Endowment funds (continued)

Changes in endowment net assets for the year ended May 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 5,137,498	\$ 1,017,903	\$ 6,155,401
Investment return	98,797	(56,117)	42,680
Additions	66,957	-	66,957
Distributions, net	(166,946)	-	(166,946)
Endowment net assets, end of year	<u>\$ 5,136,306</u>	<u>\$ 961,786</u>	<u>\$ 6,098,092</u>

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy – Spending authority for the Anniversary Community Endowment Fund accounts are the product of a 4.5% spending rate and the 36-month moving average of fair market value. In the event the endowed accounts fall below \$1 million, spending will be restricted to 0% of the 36-month moving average of the fair market value. The spending authority for the Operating Expense Endowment Fund accounts are the product of a 4.5% spending rate and the 36-month moving average of the fair market value. In the event that endowed accounts fall below \$1s million, spending will be restricted to 3% of the 36-month moving average of the fair market value. The investment return on the Mildred B. Ansley Fund may be distributed. The reported 2019 investment allocations have been reclassified in 2020 to conform to current year presentation.

Note 7—Note payable

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the League applied for and received a Paycheck Protection Program loan totaling \$31,895 during April 2020 based on the federal government’s payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the League incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.

Note 8—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 \$15 million of investments in debt and equity securities as of May 31, 2020, which are subject to market risk.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 9—Donor restricted and Board of Directors’ designated net assets

The components of donor restricted and Board of Directors’ designated net assets as of May 31, 2020 are as follows:

	Board Designated	With Donor Restrictions
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 9,762,235
Operation Reserve - Care for Children	-	301,402
Hamilton Bequests - Christmas Gifts	-	364
Anniversary Community Endowment Fund	2,723,689	-
Operating Expense Endowment Fund	2,439,312	-
Mildred B. Ansley Fund - JLN operations	172,154	-
Perpetual trusts	-	969,238
	<u>\$ 5,335,155</u>	<u>\$ 11,033,239</u>

The components of donor restricted and Board of Directors’ designated net assets as of May 31, 2019 are as follows:

	Board Designated	With Donor Restrictions
JLN Trust - Junior League Home for Crippled Children	\$ -	\$ 9,223,542
Operation Reserve - Care for Children	-	189,757
Hamilton Bequests - Christmas Gifts	-	11,369
Anniversary Community Endowment Fund	2,570,543	-
Operating Expense Endowment Fund	2,394,125	-
Mildred B. Ansley Fund - JLN operations	171,638	-
Perpetual trusts	-	961,786
	<u>\$ 5,136,306</u>	<u>\$ 10,386,454</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.

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.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

Note 9—Donor restricted and Board of Directors’ designated net assets (continued)

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 10—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the League, its performance, and its financial results.