

THE JUNIOR LEAGUE OF NASHVILLE, INC.

FINANCIAL STATEMENTS

May 31, 2011 and 2010

THE JUNIOR LEAGUE OF NASHVILLE, INC.

TABLE OF CONTENTS

Independent Auditor's Report.....	2
Audited 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 – 21



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of The Junior League of Nashville, Inc. (a non-profit organization) as of May 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the League's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 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, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

August 15, 2011

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2011 and 2010

	Assets	2011	2010
Current assets:			
Cash and cash equivalents		\$ 235,063	\$ 240,162
Accounts receivable		9,159	15,737
Prepaid expense and other		3,723	10,330
Investments		326,000	330,000
Total current assets		<u>573,945</u>	<u>596,229</u>
Investments		12,791,755	11,011,961
Beneficial interests in perpetual trusts		<u>928,929</u>	<u>837,868</u>
Land, building and equipment		1,849,630	1,941,181
Less: accumulated depreciation		<u>(1,038,574)</u>	<u>(1,060,146)</u>
Net land, building and equipment		<u>811,056</u>	<u>881,035</u>
Total assets		<u><u>\$ 15,105,685</u></u>	<u><u>\$ 13,327,093</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		\$ 16,673	\$ 10,147
Deferred membership dues and event income		251,772	236,530
Grant payable, current portion		<u>326,000</u>	<u>330,000</u>
Total current liabilities		594,445	576,677
Grant payable, net of current portion and discount		<u>-</u>	<u>307,705</u>
Total liabilities		<u>594,445</u>	<u>884,382</u>
Net assets:			
Unrestricted:			
Undesignated		798,812	1,264,776
Designated		<u>3,313,096</u>	<u>2,291,877</u>
Total unrestricted net assets		4,111,908	3,556,653
Temporarily restricted		9,470,403	8,048,190
Permanently restricted		<u>928,929</u>	<u>837,868</u>
Total net assets		<u>14,511,240</u>	<u>12,442,711</u>
Total liabilities and net assets		<u><u>\$ 15,105,685</u></u>	<u><u>\$ 13,327,093</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Contributions and other (including in-kind of \$12,262)	\$ 208,981	\$ 21,105	\$ -	\$ 230,086
Membership dues and fees	245,939	-	-	245,939
Cookbook sales	11,228	-	-	11,228
Fundraising income (including in-kind of \$150,307)	328,856	-	-	328,856
Satisfaction of program restrictions	149,233	(149,233)	-	-
	<u>944,237</u>	<u>(128,128)</u>	<u>-</u>	<u>816,109</u>
Total revenue				
Expenses:				
Program services (including in-kind of \$12,262)	715,355	-	-	715,355
Supporting services (including in-kind of \$150,307)	289,184	-	-	289,184
	<u>1,004,539</u>	<u>-</u>	<u>-</u>	<u>1,004,539</u>
Total expenses				
Change in net assets, before investment gain	(60,302)	(128,128)	-	(188,430)
Gain on beneficial interest in perpetual trusts	-	-	91,061	91,061
Investment gain, net	615,557	1,550,341	-	2,165,898
	<u>555,255</u>	<u>1,422,213</u>	<u>91,061</u>	<u>2,068,529</u>
Change in net assets				
Net assets, beginning of year	3,556,653	8,048,190	837,868	12,442,711
	<u>\$ 4,111,908</u>	<u>\$ 9,470,403</u>	<u>\$ 928,929</u>	<u>\$ 14,511,240</u>
Net assets, end of year				

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Contributions and other (including in-kind of \$15,810)	\$ 255,615	\$ 9,451	\$ -	\$ 265,066
Membership dues and fees	272,072	-	-	272,072
Cookbook sales	43,732	-	-	43,732
Fundraising income (including in-kind of \$165,529)	337,238	-	-	337,238
Gain on sale of property	710,160			710,160
Satisfaction of program restrictions	177,729	(177,729)	-	-
Total revenue	<u>1,796,546</u>	<u>(168,278)</u>	<u>-</u>	<u>1,628,268</u>
Expenses:				
Program services (including in-kind of \$15,810)	779,996	-	-	779,996
Supporting services (including in-kind of \$165,529)	343,149	-	-	343,149
Total expenses	<u>1,123,145</u>	<u>-</u>	<u>-</u>	<u>1,123,145</u>
Change in net assets, before investment gain	673,401	(168,278)	-	505,123
Gain on beneficial interest in perpetual trusts	-	-	54,481	54,481
Investment gain, net	150,663	1,797,292	-	1,947,955
Change in net assets	824,064	1,629,014	54,481	2,507,559
Net assets, beginning of year	<u>2,732,589</u>	<u>6,419,176</u>	<u>783,387</u>	<u>9,935,152</u>
Net assets, end of year	<u>\$ 3,556,653</u>	<u>\$ 8,048,190</u>	<u>\$ 837,868</u>	<u>\$12,442,711</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2011

	Program Services							Supporting Services	
	Hamilton				Mildred B.		Total		
	Christmas	JLN	PRKK	Community	Ansley	Internal	Program	Annual	Total
	Fund	Trust	Trusts	Outreach	Fund	Support	Services	Fundraisers	Expenses
Salaries, taxes and benefits	\$ -	\$ -	\$ -	\$ 50,912	\$ -	\$ 101,823	\$ 152,735	\$ 50,912	\$ 203,647
In-kind expenses	-	-	-	2,384	-	12,262	14,646	147,923	162,569
Community grants, sponsorships, and assistance	36,788	18,295	62,095	-	-	110	117,288	-	117,288
Bank and investment expense	28	83,317	2,074	3,689	1,232	23,570	113,910	508	114,418
Depreciation	-	-	-	-	-	82,828	82,828	5,287	88,115
Event costs	-	-	3,112	723	-	7,927	11,762	57,013	68,775
Membership dues	-	-	-	-	-	51,991	51,991	-	51,991
Facilities and equipment - other	-	-	-	-	-	29,717	29,717	5,099	34,816
Printing and copying	-	-	243	193	-	16,640	17,076	9,076	26,152
Legal and professional	-	-	-	-	-	24,919	24,919	147	25,066
Insurance	-	-	-	-	-	22,392	22,392	-	22,392
Training and education	-	-	-	375	-	18,019	18,394	27	18,421
Utilities	-	-	-	-	-	15,759	15,759	-	15,759
Other	-	-	102	10,524	-	3,322	13,948	1,319	15,267
Cookbook	-	-	-	-	-	4,400	4,400	8,815	13,215
Technology	-	-	-	-	-	9,518	9,518	-	9,518
Telephone	-	-	-	-	-	7,871	7,871	-	7,871
Postage and shipping	-	-	77	160	-	3,103	3,340	2,110	5,450
Supplies	-	-	326	449	-	802	1,577	948	2,525
Advertising	-	-	-	-	-	1,034	1,034	-	1,034
Other contract services	-	-	-	-	-	250	250	-	250
	\$ 36,816	\$ 101,612	\$ 68,029	\$ 69,409	\$ 1,232	\$ 438,257	\$ 715,355	\$ 289,184	\$ 1,004,539

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2010

	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	\$ -	\$ -	\$ -	\$ 46,898	\$ -	\$ 93,795	\$ 140,693	\$ 46,898	\$ 187,591
In-kind expenses	-	-	6	963	-	14,841	15,810	165,529	181,339
Community grants, sponsorships, and assistance	68,859	28,518	76,258	-	-	-	173,635	-	173,635
Depreciation	-	-	-	-	-	89,314	89,314	5,701	95,015
Bank and investment expense	-	72,587	-	-	2	8,212	80,801	840	81,641
Event costs	720	-	1,799	551	-	9,679	12,749	60,445	73,194
Membership dues	-	-	-	-	-	59,343	59,343	-	59,343
Facilities and equipment - other	-	-	-	-	-	37,525	37,525	13,647	51,172
Legal and professional	-	-	1,071	1,223	-	44,586	46,880	63	46,943
Cookbook	-	-	-	19	-	-	19	34,210	34,229
Printing and copying	-	-	-	4,067	-	14,222	18,289	10,398	28,687
Insurance	-	-	-	-	-	23,202	23,202	-	23,202
Training and education	-	-	249	375	-	20,923	21,547	567	22,114
Utilities	-	-	-	-	-	20,112	20,112	-	20,112
Technology	-	-	-	-	-	15,108	15,108	-	15,108
Telephone	-	-	-	-	-	8,412	8,412	-	8,412
Other	-	-	570	-	-	6,379	6,949	1,295	8,244
Postage and shipping	-	-	-	751	-	4,133	4,884	1,618	6,502
Supplies	-	-	170	25	-	3,257	3,452	1,489	4,941
Advertising	-	-	-	-	-	917	917	299	1,216
Other contract services	-	-	-	-	-	355	355	150	505
	\$ 69,579	\$ 101,105	\$ 80,123	\$ 54,872	\$ 2	\$ 474,315	\$ 779,996	\$ 343,149	\$ 1,123,145

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,068,529	\$ 2,507,559
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized gain on investments	(1,971,210)	(1,792,808)
Gain on beneficial interest in perpetual trust	(91,061)	(54,481)
Gain on sale of property	-	(710,160)
Depreciation	88,115	95,015
Change in operating assets and liabilities:		
Accounts receivable	6,578	(938)
Prepaid expense and other	6,607	24,732
Accounts payable and accrued expenses	6,526	(56,172)
Grants payable	(311,705)	(312,482)
Deferred membership dues	15,242	(28,722)
Net cash used in operating activities	<u>(182,379)</u>	<u>(328,457)</u>
Cash flows from investing activities:		
Sales of investments	14,885,214	7,053,934
Purchases of investments	(14,689,798)	(8,598,779)
Proceeds from sale of land, building and equipment	-	1,905,927
Purchases of land, building and equipment	<u>(18,136)</u>	<u>(33,491)</u>
Net cash provided by investing activities	<u>177,280</u>	<u>327,591</u>
Net decrease in cash and cash equivalents	(5,099)	(866)
Cash and cash equivalents, beginning of year	<u>240,162</u>	<u>241,028</u>
Cash and cash equivalents, end of year	<u><u>\$ 235,063</u></u>	<u><u>\$ 240,162</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2011 and 2010

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 and \$8,845,937 and \$7,509,609 at May 31, 2011 and 2010, respectively, and are included in the assets of the League.

Estimates

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

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010

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 \$162,569 and \$181,339 for the years ended May 31, 2011 and 2010, 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 2011 and 2010, members provided in excess of 100,000 and 80,000 hours of service to various League programs, respectively.

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. This guidance must be applied to all existing tax positions upon initial adoption. 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, 2008 through May 31, 2011.

Advertising

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

Subsequent Events

The League evaluated subsequent events through August 15, 2011, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

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

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

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. Treasury bonds	\$ 399,661	\$ -	\$ -	\$ 399,661
Corporate stocks	5,814,244	-	-	5,814,244
Mutual funds	3,001,543	-	-	3,001,543
Fixed income	860,278	-	-	860,278
Money market funds	<u>3,042,029</u>	<u>-</u>	<u>-</u>	<u>3,042,029</u>
Total assets at fair value	<u>\$ 13,117,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,117,755</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928,929</u>	<u>\$ 928,929</u>

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
U.S. Treasury bonds	\$ 746,765	\$ -	\$ -	\$ 746,765
Corporate stocks	4,578,572	-	-	4,578,572
Mutual funds	3,439,306	-	-	3,439,306
Certificates of deposit	1,646,927	-	-	1,646,927
Money market funds	<u>930,391</u>	<u>-</u>	<u>-</u>	<u>930,391</u>
Total assets at fair value	<u>\$ 11,341,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,341,961</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,868</u>	<u>\$ 837,868</u>

The summary of changes in the fair value of the League's level 3 assets for the year ended May 31, 2011 and 2010 are as follows:

	<u>2011 Beneficial Interest in Trusts</u>	<u>2010 Beneficial Interest in Trusts</u>
Balance, beginning of year	\$ 837,868	\$ 783,387
Realized and unrealized gains	<u>91,061</u>	<u>54,481</u>
Total	<u>\$ 928,929</u>	<u>\$ 837,868</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are classified as follows:

	<u>2011</u>	<u>2010</u>
Current	\$ 326,000	\$ 330,000
Noncurrent	<u>12,791,755</u>	<u>11,011,961</u>
Total	<u>\$ 13,117,755</u>	<u>\$ 11,341,961</u>

For the years ended May 31, 2011 and 2010, interest and dividends earned from these investments totaled \$194,688 and \$155,147, respectively. Net appreciation of investments amounted to \$1,971,210 and \$1,792,808 for the years ended May 31, 2011 and 2010, respectively.

NOTE 3 – LAND, BUILDING AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 125,000	\$ 125,000
Building	1,350,159	1,350,159
Software	56,752	56,752
Equipment	<u>317,719</u>	<u>409,270</u>
	1,849,630	1,941,181
Less accumulated depreciation	<u>(1,038,574)</u>	<u>(1,060,146)</u>
Net land, building and equipment	<u>\$ 811,056</u>	<u>\$ 881,035</u>

During 2010, the League sold its administrative office building for approximately \$1.9 million. The land and building had a depreciated value of approximately \$1.2 million at the time of the sale.

NOTE 4 – GRANT PAYABLE

The League's board of directors and advisory board reached an agreement in May 2008, effective as of July 1, 2007, to provide Vanderbilt Children's Hospital ("VCH") \$1.97 million over the period from November 2006 through May 2012, payable in installments. The proceeds are to be used for the operation of a number of programs at VCH as described in the agreement.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 4 – GRANT PAYABLE (Continued)

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

	<u>2011</u>	<u>2010</u>
Amount payable to VCH	\$ 326,000	\$ 656,000
Less: discount to net present value	<u>-</u>	<u>(18,295)</u>
	<u>\$ 326,000</u>	<u>\$ 637,705</u>
Payable in less than one year	\$ 326,000	\$ 330,000
Payable in one to five years, net	<u>-</u>	<u>307,705</u>
	<u>\$ 326,000</u>	<u>\$ 637,705</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.

The League has imposed a restriction on the endowment funds associated with the Anniversary Community Endowment Fund and Operating Expense Endowment Fund that no amounts may be distributed from the funds until the value of the fund exceeds \$1 million. In addition, the League requires that each year 10% of the net proceeds from the annual fundraisers of the League be invested in the Anniversary Community Endowment Fund and that 10% of the net proceeds from the annual fund be invested in the Operating Expense Endowment Fund.

The League has also imposed a restriction on the endowment funds associated with the Mildred D. Ansley Fund. It is the League's intention to maintain the initial gift in perpetuity; investment earnings may be used to provide equipment the League requires in its operations.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 5 – ENDOWMENT FUNDS (Continued)

2011 Endowment Net Asset Composition by Type of Fund as of May 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 810,830	\$ 346,917	\$ -	\$ 1,157,747
Operating Expense Endowment Fund	2,329,429	10,900	-	2,340,329
Mildred B. Ansley Fund	<u>172,837</u>	<u>-</u>	<u>-</u>	<u>172,837</u>
Total endowment	<u>\$ 3,313,096</u>	<u>\$ 357,817</u>	<u>\$ -</u>	<u>\$ 3,670,913</u>

Changes in Endowment Net Assets for the year ended May 31, 2011:

Endowment net assets, beginning of year	\$ 2,246,877	\$ 283,769	\$ -	\$ 2,530,646
Investment return	452,161	54,998	-	507,159
Contributions	-	19,050	-	19,050
Board designated transfers	623,974	-	-	623,974
Distributions, net	<u>(9,916)</u>	<u>-</u>	<u>-</u>	<u>(9,916)</u>
Endowment net assets, end of year	<u>\$ 3,313,096</u>	<u>\$ 357,817</u>	<u>\$ -</u>	<u>\$ 3,670,913</u>

2010 Endowment Net Asset Composition by Type of Fund as of May 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 164,847	\$ 282,869	\$ -	\$ 447,716
Operating Expense Endowment Fund	1,934,424	900	-	1,935,324
Mildred B. Ansley Fund	<u>147,606</u>	<u>-</u>	<u>-</u>	<u>147,606</u>
Total endowment	<u>\$ 2,246,877</u>	<u>\$ 283,769</u>	<u>\$ -</u>	<u>\$ 2,350,646</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 5 – ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets for the year ended May 31, 2010:

Endowment net assets,				
beginning of year	\$ 263,118	\$ 248,666	\$ -	\$ 511,784
Investment return	31,245	29,203	-	60,448
Contributions	1,952,514	5,900	1,958,414	19,191
Distributions, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets,				
end of year	<u>\$ 2,246,877</u>	<u>\$ 283,769</u>	<u>\$ -</u>	<u>\$ 2,530,646</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

The League's Board of Directors has imposed a restriction on the Anniversary Community Endowment Fund and Operating Expense Endowment Fund that nothing may be spent until the

value of the endowment exceeds \$1 million. Thereafter, the League may withdraw from the Fund during each calendar year a percentage of the net fair market value of the funds as determined by the Board of Directors. Current policies state that the distribution percentage should not exceed 4.5% of the average of the net fair market values of the funds as determined at the end of the three most recent calendar years. The investment return on the Mildred D. Ansley Fund may be distributed.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

NOTE 6 – ALLOCATION OF FUNCTIONAL EXPENSES

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

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year, the League's cash and cash equivalent balances exceeded the federally insured limits. Additionally, the League has approximately \$13 million and \$11 million of investments in debt and equity securities as of May 31, 2011 and 2010, which are subject to market risk.

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, 2011 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 8,845,936	\$ -
Operation Reserve – Care for Children	-	266,650	-
Anniversary Community Endowment Fund	810,830	346,917	-
Operating Expense Endowment Fund	2,329,429	10,900	-
Mildred B. Ansley Fund – JLN operations	172,837	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>928,929</u>
	<u>\$ 3,313,096</u>	<u>\$ 9,470,403</u>	<u>\$ 928,929</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

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

The components of donor restricted (temporarily and permanently restricted) and board of directors' designated net assets as of May 31, 2010 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 7,509,609	\$ -
Operation Reserve – Care for Children	-	248,169	-
Hamilton Fund – Gladden the Hearts of the Children at Christmas	-	3,092	-
Community gifts	40,000	-	-
Anniversary Community Endowment Fund	164,847	282,869	-
Operating Expense Endowment Fund	1,934,424	900	-
Flood Relief Assistance Fund	5,000	3,551	-
Mildred B. Ansley Fund – JLN operations	147,606	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>837,868</u>
	<u>\$ 2,291,877</u>	<u>\$ 8,048,190</u>	<u>\$ 837,868</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.

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. 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 FINANCIAL STATEMENTS (Continued)
May 31, 2011 and 2010

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

Flood Relief Assistance Fund. This balance represents contributions restricted and board designated to provide support and financial relief to League members who were affected by the May 2010 flood.

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.