

# **THE JUNIOR LEAGUE OF NASHVILLE, INC.**

## **FINANCIAL STATEMENTS**

***As of and for the Years Ended May 31, 2019 and 2018***

***And Report of Independent Auditor***

**THE JUNIOR LEAGUE OF NASHVILLE, INC.**  
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## **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, 2019 and 2018, 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 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, 2019 and 2018, 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 Matters

### *Prior Period Restatement*

As discussed in Note 9 to the financial statements, The Junior League of Nashville, Inc. restated net assets at May 31, 2018. The effect of the restatement is to increase net assets with donor restrictions by \$200,000 with a corresponding decrease to net assets without donor restrictions. Our opinion is not modified with respect to this matter.

### *Adoption of New Accounting Pronouncement*

As discussed in Note 1, The Junior League of Nashville, Inc. adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cheng Bekeant LLP

Nashville, Tennessee  
September 5, 2019

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

*MAY 31, 2019 AND 2018*

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 230,038	\$ 428,853
Accounts receivable	350	2,700
Prepaid expenses	372	-
Investments	200,000	200,000
Total Current Assets	<u>430,760</u>	<u>631,553</u>
Investments	<u>15,128,135</u>	<u>14,930,155</u>
Beneficial interests in perpetual trusts	<u>961,786</u>	<u>1,017,903</u>
Land, building, and equipment	1,841,505	1,837,130
Less accumulated depreciation	<u>(1,398,674)</u>	<u>(1,353,941)</u>
Net Land, Building, and Equipment	<u>442,831</u>	<u>483,189</u>
<b>Total Assets</b>	<u><u>\$ 16,963,512</u></u>	<u><u>\$ 17,062,800</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 22,927	\$ 19,326
Deferred membership dues and event income	210,846	206,485
Grant payable, current portion	<u>200,000</u>	<u>200,000</u>
Total Current Liabilities	<u>433,773</u>	<u>425,811</u>
Grant payable, net of current portion and discount	<u>578,532</u>	<u>778,532</u>
<b>Total Liabilities</b>	<u><u>1,012,305</u></u>	<u><u>1,204,343</u></u>
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	428,447	470,293
Designated	<u>5,136,306</u>	<u>5,137,498</u>
Total Net Assets Without Donor Restrictions	<u>5,564,753</u>	<u>5,607,791</u>
Net Assets With Donor Restrictions	<u>10,386,454</u>	<u>10,250,666</u>
<b>Total Net Assets</b>	<u><u>15,951,207</u></u>	<u><u>15,858,457</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 16,963,512</u></u>	<u><u>\$ 17,062,800</u></u>

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*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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 ACTIVITIES (AS RESTATED)**

*YEAR ENDED MAY 31, 2018*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue:			
Membership dues and fees	\$ 265,020	\$ -	\$ 265,020
Contributions and other	178,546	108,637	287,183
Fundraising income (including in-kind of \$45,776)	123,032	-	123,032
Satisfaction of program restrictions	18,781	(18,781)	-
Total Revenue	<u>585,379</u>	<u>89,856</u>	<u>675,235</u>
Expenses:			
Program services	574,981	-	574,981
Supporting services (including in-kind of \$45,776)	134,921	-	134,921
Total Expenses	<u>709,902</u>	<u>-</u>	<u>709,902</u>
Change in net assets, before investment gain	(124,523)	89,856	(34,667)
Gain on beneficial interest in perpetual trusts	-	26,663	26,663
Investment gain, net	<u>420,761</u>	<u>860,715</u>	<u>1,281,476</u>
Change in net assets	296,238	977,234	1,273,472
Net assets, beginning of year	<u>5,311,553</u>	<u>9,273,432</u>	<u>14,584,985</u>
Net assets, end of year	<u>\$ 5,607,791</u>	<u>\$ 10,250,666</u>	<u>\$ 15,858,457</u>

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

YEAR ENDED MAY 31, 2019

	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	\$ -	\$ -	\$ -	\$ 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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED MAY 31, 2018

	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	\$ -	\$ -	\$ -	\$ 25,976	\$ -	\$ 64,939	\$ 90,915	\$ 38,963	\$ 129,878
Community grants, sponsorships, and assistance	15,182	-	-	90,239	-	22,732	128,153	110	128,263
Membership dues	-	-	-	-	-	64,717	64,717	-	64,717
Event costs	-	-	-	2,141	-	18,376	20,517	37,530	58,047
Depreciation	-	-	-	-	-	53,520	53,520	3,416	56,936
Legal and professional	-	-	-	-	-	51,943	51,943	-	51,943
In-kind expenses	-	-	-	-	-	-	-	45,776	45,776
Facilities and equipment - other	-	-	-	-	-	30,604	30,604	-	30,604
Training and education	-	-	-	-	-	26,598	26,598	-	26,598
Insurance	-	-	-	-	-	26,269	26,269	-	26,269
Printing and copying	-	-	-	-	-	15,825	15,825	2,574	18,399
Technology	-	-	-	-	-	16,698	16,698	144	16,842
Utilities	-	-	-	-	-	16,725	16,725	-	16,725
Supplies	-	-	-	1,660	-	4,278	5,938	4,998	10,936
Bank and investment expense	-	2,718	2,016	964	175	2,893	8,766	125	8,891
Other	-	-	-	1,278	-	5,952	7,230	141	7,371
Telephone	-	-	-	-	-	6,632	6,632	-	6,632
Postage and shipping	-	-	-	-	-	2,786	2,786	194	2,980
Other contract services	-	-	-	70	-	1,075	1,145	950	2,095
	\$ 15,182	\$ 2,718	\$ 2,016	\$ 122,328	\$ 175	\$ 432,562	\$ 574,981	\$ 134,921	\$ 709,902

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, 2019 AND 2018*

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 92,750	\$ 1,273,472
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized loss (gain) on investments	52,133	(972,800)
Loss (gain) on beneficial interest in perpetual trust	56,117	(26,663)
Depreciation	59,834	56,936
Change in operating assets and liabilities:		
Accounts receivable	2,350	(2,700)
Prepaid expense and other	(372)	509
Accounts payable and accrued expenses	3,601	(2,807)
Deferred membership dues and event income	4,361	(16,510)
Grants payable	(200,000)	(481,218)
Net cash provided by (used in) operating activities	<u>70,774</u>	<u>(171,781)</u>
<b>Cash flows from investing activities:</b>		
Sales of investments	1,602,989	581,628
Purchases of investments	(1,853,102)	(308,572)
Purchases of land, building, and equipment	(19,476)	(7,538)
Net cash (used in) provided by investing activities	<u>(269,589)</u>	<u>265,518</u>
Net (decrease) increase in cash and cash equivalents	(198,815)	93,737
Cash and cash equivalents, beginning of year	428,853	335,116
Cash and cash equivalents, end of year	<u>\$ 230,038</u>	<u>\$ 428,853</u>

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

# THE JUNIOR LEAGUE OF NASHVILLE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019 AND 2018

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### **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 \$9,223,543 and \$9,027,949 at May 31, 2019 and 2018, 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 contributions receivable and 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, 2019 AND 2018

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### **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 \$93,149 and \$45,776 for the years ended May 31, 2019 and 2018, 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 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, 2019 AND 2018

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### **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.

*Change in Accounting Principle* – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

*Accounting Policies for Future Pronouncements* – In May 2014, the 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, 2020. The League is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued 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 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 standard will be effective for the year ending May 31, 2020. 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, 2019 and 2018.

*Subsequent Events* – The League evaluated subsequent events through September 5, 2019, 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, 2019 AND 2018

### 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, 2019:

	2019	2018
Financial Assets:		
Cash and cash equivalents	\$ 230,038	\$ 428,853
Investments (current portion)	200,000	200,000
Accounts receivable	350	2,700
Total Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 430,388</u>	<u>\$ 631,553</u>

### Note 3—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; 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 JUNIOR LEAGUE OF NASHVILLE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

MAY 31, 2019 AND 2018

**Note 3—Investments and fair value measurements (continued)**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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 following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual Funds:				
Equities	\$ 10,958,240	\$ -	\$ -	\$ 10,958,240
Fixed income	3,956,182	-	-	3,956,182
Money market funds	215,733	-	-	215,733
Total assets at fair value	<u>\$ 15,130,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,130,155</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,903</u>	<u>\$ 1,017,903</u>

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

*MAY 31, 2019 AND 2018*

**Note 3—Investments and fair value measurements (continued)**

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

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 1,017,903	\$ 991,240
Realized and unrealized (loss) gain	(56,117)	26,663
Balance, end of year	<u>\$ 961,786</u>	<u>\$ 1,017,903</u>

Investments are classified as follows:

	<b>2019</b>	<b>2018</b>
Current	\$ 200,000	\$ 200,000
Noncurrent	15,128,135	14,930,155
Total	<u>\$ 15,328,135</u>	<u>\$ 15,130,155</u>

**Note 4—Land, building, and equipment**

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

	<b>2019</b>	<b>2018</b>
Land	\$ 125,000	\$ 125,000
Building	1,400,210	1,400,210
Software	66,242	66,288
Equipment	250,053	245,632
	1,841,505	1,837,130
Less accumulated depreciation	(1,398,674)	(1,353,941)
Net Land, Building, and Equipment	<u>\$ 442,831</u>	<u>\$ 483,189</u>



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

*MAY 31, 2019 AND 2018*

**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:

	<b>2019</b>	<b>2018</b>
Amount payable to VCH	\$ 800,000	\$ 1,000,000
Less discount to net present value	(21,468)	(21,468)
	<u>\$ 778,532</u>	<u>\$ 978,532</u>
Payable in less than one year	\$ 200,000	\$ 200,000
Payable in one to six years, net	578,532	778,532
	<u>\$ 778,532</u>	<u>\$ 978,532</u>

**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 D. Ansley Fund, and perpetual trusts.

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Anniversary Community Endowment Fund	\$ 1,643,239	\$ -	\$ 1,643,239
Operating Expense Endowment Fund	3,321,429	-	3,321,429
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.**  
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MAY 31, 2019 AND 2018

**Note 6—Endowment funds (continued)**

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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 net asset composition by type of fund as of May 31, 2018 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Anniversary Community Endowment Fund	\$ 1,604,360	\$ -	\$ 1,604,360
Operating Expense Endowment Fund	3,356,874	-	3,356,874
Mildred D. Ansley Fund	176,264	-	176,264
Perpetual Trusts	-	1,017,903	1,017,903
Total Endowment	<u>\$ 5,137,498</u>	<u>\$ 1,017,903</u>	<u>\$ 6,155,401</u>

Changes in endowment net assets for the year ended May 31, 2018 are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 4,688,468	\$ 991,240	\$ 5,679,708
Investment return	420,658	26,663	447,321
Additions	89,899	-	89,899
Distributions, net	(61,527)	-	(61,527)
Endowment net assets, end of year	<u>\$ 5,137,498</u>	<u>\$ 1,017,903</u>	<u>\$ 6,155,401</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.

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**Note 6—Endowment funds (continued)**

*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 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 \$15 million of investments in debt and equity securities as of May 31, 2019, which are subject to market risk.

**Note 8—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, 2019 are as follows:

	<b>Board Designated</b>	<b>With Donor Restrictions</b>
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	1,643,239	-
Operating Expense Endowment Fund	3,321,429	-
Mildred B. Ansley Fund – JLN operations	171,638	-
Perpetual Trusts	-	961,786
	<u>\$ 5,136,306</u>	<u>\$ 10,386,454</u>

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**Note 8—Donor restricted and board of directors’ designated net assets (continued)**

The components of donor restricted and board of directors’ designated net assets as of May 31, 2018 are as follows:

	<b>Board Designated</b>	<b>With Donor Restrictions</b>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 9,027,949
Operation Reserve – Care for Children	-	186,177
Hamilton Bequests - Christmas Gifts	-	18,637
Anniversary Community Endowment Fund	1,604,360	-
Operating Expense Endowment Fund	3,356,874	-
Mildred B. Ansley Fund – JLN operations	176,264	-
Perpetual Trusts	-	1,017,903
	<u>\$ 5,137,498</u>	<u>\$ 10,250,666</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.

*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.

**THE JUNIOR LEAGUE OF NASHVILLE, INC.**  
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*MAY 31, 2019 AND 2018*

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**Note 9—Restatement**

Net assets at May 31, 2018 have been restated to properly report net assets with donor restrictions. As a result, \$200,000 of previously reported net assets without donor restrictions have been reclassified to net assets with donor restrictions at May 31, 2018. The effect of the restatement does not have an effect on the change in net assets for the year ended May 31, 2018. The financial statements at May 31, 2018 have been restated as follows:

	<b>Amount Reported at May 31, 2018</b>	<b>Restatement</b>	<b>Amount Restated at May 31, 2018</b>
Satisfaction of program restrictions	\$ (218,781)	\$ 200,000	\$ (18,781)
Net assets without donor restrictions	\$ 670,293	\$ (200,000)	\$ 470,293
Net assets with donor restrictions	\$ 10,050,666	\$ 200,000	\$ 10,250,666