

THE JUNIOR LEAGUE OF NASHVILLE, INC.

FINANCIAL STATEMENTS

May 31, 2016 and 2015

THE JUNIOR LEAGUE OF NASHVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Junior League of Nashville, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Junior League of Nashville, Inc. as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Frasier, Dean & Howard, PLLC

Nashville, Tennessee

September 1, 2016

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2016 and 2015

	Assets	2016	2015
Current assets:			
Cash and cash equivalents		\$ 261,021	\$ 312,328
Accounts receivable		6,686	350
Investments		300,000	300,000
		<u>567,707</u>	<u>612,678</u>
Total current assets			
Investments		12,944,288	14,231,393
Beneficial interests in perpetual trusts		941,484	1,000,980
Land, building and equipment		1,869,392	1,843,163
Less: accumulated depreciation		(1,292,784)	(1,252,172)
		<u>576,608</u>	<u>590,991</u>
Net land, building and equipment			
Total assets		<u>\$ 15,030,087</u>	<u>\$ 16,436,042</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		\$ 8,255	\$ 2,512
Deferred membership dues and event income		223,837	222,097
Grant payable, current portion		300,000	300,000
		<u>532,092</u>	<u>524,609</u>
Total current liabilities			
Grant payable, net of current portion and discount		<u>1,459,750</u>	<u>296,022</u>
Total liabilities		<u>1,991,842</u>	<u>820,631</u>
Net assets:			
Unrestricted:			
Undesignated		612,224	679,060
Designated		4,231,744	4,285,371
		<u>4,843,968</u>	<u>4,964,431</u>
Total unrestricted net assets			
Temporarily restricted		7,252,793	9,650,000
Permanently restricted		941,484	1,000,980
		<u>13,038,245</u>	<u>15,615,411</u>
Total net assets			
Total liabilities and net assets		<u>\$ 15,030,087</u>	<u>\$ 16,436,042</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Membership dues and fees	\$ 279,086	\$ -	\$ -	\$ 279,086
Contributions and other (including in-kind of \$400)	189,404	-	-	189,404
Fundraising income	93,745	-	-	93,745
Satisfaction of program restrictions	<u>1,479,125</u>	<u>(1,479,125)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,041,360</u>	<u>(1,479,125)</u>	<u>-</u>	<u>562,235</u>
Expenses:				
Program services (including in-kind of \$400)	2,051,833	-	-	2,051,833
Supporting services	<u>103,196</u>	<u>-</u>	<u>-</u>	<u>103,196</u>
Total expenses	<u>2,155,029</u>	<u>-</u>	<u>-</u>	<u>2,155,029</u>
Change in net assets, before investment loss	(113,669)	(1,479,125)	-	(1,592,794)
Loss on beneficial interest in perpetual trusts	-	-	(59,496)	(59,496)
Investment loss, net	<u>(6,794)</u>	<u>(918,082)</u>	<u>-</u>	<u>(924,876)</u>
Change in net assets	(120,463)	(2,397,207)	(59,496)	(2,577,166)
Net assets, beginning of year	<u>4,964,431</u>	<u>9,650,000</u>	<u>1,000,980</u>	<u>15,615,411</u>
Net assets, end of year	<u>\$ 4,843,968</u>	<u>\$ 7,252,793</u>	<u>\$ 941,484</u>	<u>\$ 13,038,245</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF ACTIVITIES
For the year ended May 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Membership dues and fees	\$ 264,573	\$ -	\$ -	\$ 264,573
Contributions and other (including in-kind of \$889)	224,807	-	-	224,807
Fundraising income (including in-kind of \$19,307)	91,349	-	-	91,349
Satisfaction of program restrictions	24,358	(24,358)	-	-
Total revenue	<u>605,087</u>	<u>(24,358)</u>	<u>-</u>	<u>580,729</u>
Expenses:				
Program services (including in-kind of \$889)	584,928	-	-	584,928
Supporting services (including in-kind of \$19,307)	150,395	-	-	150,395
Total expenses	<u>735,323</u>	<u>-</u>	<u>-</u>	<u>735,323</u>
Change in net assets, before investment gain	(130,236)	(24,358)	-	(154,594)
Gain on beneficial interest in perpetual trusts	-	-	6,060	6,060
Investment gain, net	90,717	269,813	-	360,530
Change in net assets	(39,519)	245,455	6,060	211,996
Net assets, beginning of year	<u>5,003,950</u>	<u>9,404,545</u>	<u>994,920</u>	<u>15,403,415</u>
Net assets, end of year	<u>\$ 4,964,431</u>	<u>\$ 9,650,000</u>	<u>\$ 1,000,980</u>	<u>\$ 15,615,411</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2016

	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
Community grants, sponsorships, and assistance	\$ 26,652	\$1,463,728	\$ 5,517	\$ 66,918	\$ -	\$ 6,200	\$ 1,569,015	\$ -	\$ 1,569,015
Salaries, taxes and benefits	-	-	-	27,386	-	68,466	95,852	41,079	136,931
Membership dues	-	-	-	375	-	67,027	67,402	-	67,402
Event costs	-	-	-	2,231	-	13,952	16,183	51,126	67,309
Legal and professional	-	770	-	-	-	56,852	57,622	-	57,622
Depreciation	-	-	-	-	-	53,288	53,288	3,401	56,689
Training and education	-	-	74	581	-	32,117	32,772	-	32,772
Bank and investment expense	-	10,174	7,621	3,609	549	8,681	30,634	2,000	32,634
Facilities and equipment - other	-	-	-	-	-	27,419	27,419	1,127	28,546
Insurance	-	-	-	-	-	25,820	25,820	-	25,820
Technology	-	-	-	-	-	19,857	19,857	-	19,857
Utilities	-	-	-	-	-	16,521	16,521	-	16,521
Other	-	-	-	1,758	-	10,370	12,128	441	12,569
Telephone	-	-	-	-	-	7,343	7,343	-	7,343
Supplies	-	-	-	974	-	5,617	6,591	687	7,278
Printing and copying	-	-	-	592	-	4,264	4,856	1,346	6,202
Postage and shipping	-	-	-	-	-	4,210	4,210	1,989	6,199
Other contract services	-	-	-	-	-	3,920	3,920	-	3,920
In-kind expenses	400	-	-	-	-	-	400	-	400
	<u>\$ 27,052</u>	<u>\$ 1,474,672</u>	<u>\$ 13,212</u>	<u>\$ 104,424</u>	<u>\$ 549</u>	<u>\$ 431,924</u>	<u>\$ 2,051,833</u>	<u>\$ 103,196</u>	<u>\$ 2,155,029</u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended May 31, 2015

	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	\$ -	\$ -	\$ -	\$ 30,487	\$ -	\$ 76,217	\$ 106,704	\$ 45,730	\$ 152,434
Event costs	-	-	803	483	-	18,651	19,937	71,793	\$ 91,730
Bank and investment expense	-	14,629	1,393	11,728	1,785	47,727	77,262	71	77,333
Membership dues	-	-	-	110	-	67,391	67,501	-	67,501
Depreciation	-	-	-	-	-	53,883	53,883	3,439	57,322
Community grants, sponsorships, and assistance	28,048	3,979	20,702	-	-	-	52,729	-	52,729
Training and education	-	-	-	-	-	47,412	47,412	270	47,682
Facilities and equipment - other	-	-	-	-	-	34,332	34,332	-	34,332
Insurance	-	-	-	-	-	25,853	25,853	-	25,853
Other contract services	-	-	-	-	-	19,743	19,743	1,080	20,823
In-kind expenses	-	-	91	-	-	798	889	19,307	20,196
Utilities	-	-	-	-	-	16,335	16,335	-	16,335
Legal and professional	-	-	-	-	-	15,431	15,431	-	15,431
Technology	-	-	-	-	-	15,243	15,243	99	15,342
Printing and copying	-	-	-	751	-	7,756	8,507	4,643	13,150
Supplies	-	-	74	2,650	-	5,131	7,855	428	8,283
Other	-	-	-	-	-	6,676	6,676	1,565	8,241
Telephone	-	-	-	-	-	5,407	5,407	-	5,407
Postage and shipping	-	-	-	2	-	3,227	3,229	1,970	5,199
	\$ 28,048	\$ 18,608	\$ 23,063	\$ 46,211	\$ 1,785	\$ 467,213	\$ 584,928	\$ 150,395	\$ 735,323

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
For the years ended May 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,577,166)	\$ 211,996
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized and realized loss (gain) on investments	1,199,725	(144,938)
Loss (gain) on beneficial interest in perpetual trust	59,496	(6,060)
Depreciation	56,689	57,322
Change in operating assets and liabilities:		
Accounts receivable	(6,336)	1,011
Prepaid expense and other	-	10,763
Accounts payable and accrued expenses	5,743	(179)
Deferred membership dues and event income	1,740	(11,087)
Grants payable	1,163,728	(296,021)
Net cash used in operating activities	<u>(96,381)</u>	<u>(177,193)</u>
Cash flows from investing activities:		
Sales of investments	15,852,264	3,584,670
Purchases of investments	(15,764,884)	(3,428,830)
Purchases of land, building and equipment	<u>(42,306)</u>	<u>(1,168)</u>
Net cash provided by investing activities	<u>45,074</u>	<u>154,672</u>
Net decrease in cash and cash equivalents	(51,307)	(22,521)
Cash and cash equivalents, beginning of year	<u>312,328</u>	<u>334,849</u>
Cash and cash equivalents, end of year	<u><u>\$ 261,021</u></u>	<u><u>\$ 312,328</u></u>

See accompanying notes to financial statements.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

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 \$7,098,856 and \$9,494,081 and at May 31, 2016 and 2015, respectively, and are included in the assets of the League.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

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

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

**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, 2016 and 2015

**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, 2016 and 2015

**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 \$400 and \$20,196 for the years ended May 31, 2016 and 2015, 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 2016, members provided in excess of 50,000 hours of service to various League programs.

Federal Income Taxes

No provision for federal income taxes is made in the accompanying financial statements, as the League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The League follows FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The League has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended May 31, 2014 through May 31, 2016.

Advertising

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

Reclassifications

Certain reclassifications have been made to 2015 balances to conform with 2016 presentation.

Subsequent Events

The League evaluated subsequent events through September 1, 2016, 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, 2016 and 2015

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 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 FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate stocks	\$ 7,530,639	\$ -	\$ -	\$ 7,530,639
Fixed income	4,091,083	-	-	4,091,083
Money market funds	<u>1,622,566</u>	<u>-</u>	<u>-</u>	<u>1,622,566</u>
Total assets at fair value	<u>\$ 13,244,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,244,288</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 941,484</u>	<u>\$ 941,484</u>

The following table sets forth by level, within the fair value hierarchy, the League's assets at fair value as of May 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate stocks	\$ 8,363,662	\$ -	\$ -	\$ 8,363,662
Fixed income	2,808,669	-	-	2,808,669
Mutual funds	1,926,665	-	-	1,926,665
Money market funds	1,201,717	-	-	1,201,717
US Treasury notes	<u>230,680</u>	<u>-</u>	<u>-</u>	<u>230,680</u>
Total assets at fair value	<u>\$ 14,531,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,531,393</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,980</u>	<u>\$ 1,000,980</u>

The summary of changes in the fair value of the League's Level 3 assets for the years ended May 31, 2016 and 2015 are as follows:

	<u>2016 Beneficial Interest in Trusts</u>	<u>2015 Beneficial Interest in Trusts</u>
Balance, beginning of year	\$ 1,000,980	\$ 994,920
Realized and unrealized (loss) gain	<u>(59,496)</u>	<u>6,060</u>
Balance, end of year	<u>\$ 941,484</u>	<u>\$ 1,000,980</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are classified as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 300,000	\$ 300,000
Noncurrent	<u>12,944,288</u>	<u>14,231,393</u>
Total	<u>\$ 13,244,288</u>	<u>\$ 14,531,393</u>

For the years ended May 31, 2016 and 2015, interest and dividends earned from these investments totaled \$274,849 and \$215,592, respectively. Net (depreciation) appreciation of investments amounted to \$(1,199,725) and \$144,938 for the years ended May 31, 2016 and 2015, respectively.

NOTE 3 – LAND, BUILDING AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land	\$ 125,000	\$ 125,000
Building	1,392,053	1,356,504
Software	66,427	66,427
Equipment	<u>285,912</u>	<u>295,232</u>
	1,869,392	1,843,163
Less accumulated depreciation	<u>(1,292,784)</u>	<u>(1,252,172)</u>
Net land, building and equipment	<u>\$ 576,608</u>	<u>\$ 590,991</u>

NOTE 4 – GRANT PAYABLE

In April 2012, the League entered into an agreement with Vanderbilt Children’s Hospital (“VCH”), effective July 1, 2012, to provide \$1.5 million over the period from July 2012 through June 2017, payable in semi-annual installments. The proceeds are to be used for the operation of a number of programs at VCH as described in the agreement. In December 2015, the League entered into a similar agreement with VCH, effective July 2015, to provide \$1.5 million over the period from June 2017 through June 2022, payable in annual installments.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

NOTE 4 – GRANT PAYABLE (Continued)

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

	<u>2016</u>	<u>2015</u>
Amount payable to VCH	\$ 1,800,000	\$ 600,000
Less: discount to net present value	<u>(40,250)</u>	<u>(3,978)</u>
	<u>\$ 1,759,750</u>	<u>\$ 596,022</u>
Payable in less than one year	\$ 300,000	\$ 300,000
Payable in one to six years, net	<u>1,459,750</u>	<u>296,022</u>
	<u>\$ 1,759,750</u>	<u>\$ 596,022</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 accounting principles generally accepted in the United State of America, 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.

2016 Endowment Net Asset Composition by Type of Fund as of May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 1,296,846	\$ -	\$ -	\$ 1,296,846
Operating Expense Endowment Fund	2,775,575	-	-	2,775,575
Mildred D. Ansley Fund	<u>159,323</u>	<u>-</u>	<u>-</u>	<u>159,323</u>
Total endowment	<u>\$ 4,231,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,231,744</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

NOTE 5 – ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets for the year ended May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,285,371	\$ -	\$ -	\$ 4,285,371
Investment return	(95,675)	-	-	(95,675)
Additions	81,897	-	-	81,897
Distributions, net	(39,849)	-	-	(39,849)
Board designated transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 4,231,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,231,744</u>

2015 Endowment Net Asset Composition by Type of Fund as of May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Anniversary Community Endowment Fund	\$ 1,313,089	\$ -	\$ -	\$ 1,313,089
Operating Expense Endowment Fund	2,772,417	-	-	2,772,417
Mildred D. Ansley Fund	<u>199,865</u>	<u>-</u>	<u>-</u>	<u>199,865</u>
Total endowment	<u>\$ 4,285,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,285,371</u>

Changes in Endowment Net Assets for the year ended May 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,245,708	\$ -	\$ -	\$ 4,245,708
Investment return	39,663	-	-	39,663
Additions	-	-	-	-
Board designated transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 4,285,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,285,371</u>

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

NOTE 5 – ENDOWMENT FUNDS (Continued)

Endowment Investment Policy and Risk Parameters

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

Strategies Employed for Achieving Investment Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending authority for the Anniversary Community Endowment Fund accounts are the product of a 4.0% spending rate and the 36-month moving average of fair market value. In the event the endowed accounts fall below \$1 million, spending will be restricted to 0% of the 36-month moving average of the fair market value. The spending authority for the Operating Expense Endowment Fund accounts are the product of a 6% spending rate and the 36-month moving average of the fair market value. In the event that endowed accounts fall below \$1.5 million, spending will be restricted to 3% of the 36-month moving average of the fair market value. The investment return on the Mildred D. Ansley Fund may be distributed.

NOTE 6 – ALLOCATION OF FUNCTIONAL EXPENSES

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

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year, the League's cash and cash equivalent balances exceeded the federally insured limits. Additionally, the League has over \$13 million of investments in debt and equity securities as of May 31, 2016, which are subject to market risk.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

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, 2016 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 7,098,856	\$ -
Operation Reserve – Care for Children	-	153,937	-
Anniversary Community Endowment Fund	1,296,846	-	-
Operating Expense Endowment Fund	2,775,575	-	-
Mildred B. Ansley Fund – JLN operations	159,323	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>941,484</u>
	<u><u>\$ 4,231,744</u></u>	<u><u>\$ 7,252,793</u></u>	<u><u>\$ 941,484</u></u>

The components of donor restricted (temporarily and permanently restricted) and board of directors’ designated net assets as of May 31, 2015 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
JLN Trust – Junior League Home for Crippled Children	\$ -	\$ 9,494,081	\$ -
Operation Reserve – Care for Children	-	155,919	-
Anniversary Community Endowment Fund	1,313,089	-	-
Operating Expense Endowment Fund	2,772,417	-	-
Mildred B. Ansley Fund – JLN operations	199,865	-	-
Perpetual Trusts	<u>-</u>	<u>-</u>	<u>1,000,980</u>
	<u><u>\$ 4,285,371</u></u>	<u><u>\$ 9,650,000</u></u>	<u><u>\$ 1,000,980</u></u>

JLN Trust – Junior League Home for Crippled Children. This balance is comprised of a trust established by the League to own, maintain and operate the Junior League Home for Crippled Children (the “Home”). According to the trust agreement, assets of the trust and any income received are to be used for programs of the Home.

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

Hamilton Fund – Gladden the Hearts of the Children at Christmas. This balance represents donor contributions restricted to gladden the hearts of children at Christmas time.

THE JUNIOR LEAGUE OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
May 31, 2016 and 2015

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

Anniversary Community Endowment Fund. This balance represents contributions restricted and board designated to provide financial support for activities of the League that improve the welfare of the community. The restricted contributions cannot be used for League activities unless the fund exceeds a balance of \$1,000,000.

Operating Expense Endowment Fund. This balance represents contributions restricted and board designated to provide financial support for activities of the League that improve the welfare of the community.

Mildred B. Ansley Fund – JLN Operations. This balance represents a memorial of Mildred B. Ansley, a member of the League, who bequeathed \$150,000 to the League. The League has designated that her gift be invested as a memorial and that the investment return be used to provide equipment the League requires to maintain its operations.

Perpetual Trusts – The League has an irrevocable right to receive the income or a portion of the income earned from the trusts in perpetuity. Included in this balance are Pike, Reynolds, King and Kempkau trusts (“PRKK”), as well as the Hamilton Trust.