

MEMPHIS LIBRARY FOUNDATION

FINANCIAL STATEMENTS

June 30, 2017 and 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Memphis Library Foundation
Memphis, Tennessee

We have audited the accompanying financial statements of the Memphis Library Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 Memphis Library Foundation as of June 30, 2017 and 2016, 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.

Watkins Mikusall, PLLC

Memphis, Tennessee
October 5, 2017

MEMPHIS LIBRARY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>Assets</u>	
	2017	2016
Cash and cash equivalents	\$ 574,679	\$ 785,660
Unconditional promises to give, net	226,875	43,004
Investments	6,608,539	6,083,210
Beneficial interest in endowment	63,447	59,177
Total assets	\$ 7,473,540	\$ 6,971,051
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 47,556	\$ 46,643
Net Assets		
Unrestricted		
Unrestricted	415,546	444,145
Board designated	2,122,294	1,588,456
Total unrestricted	2,537,840	2,032,601
Temporarily restricted	2,318,651	1,960,043
Permanently restricted	2,569,493	2,931,764
Total net assets	7,425,984	6,924,408
Total liabilities and net assets	\$ 7,473,540	\$ 6,971,051

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

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Revenue				
Contributions	\$ 102,825	\$ 543,274	\$ -	\$ 646,099
Service fees	15,534	-	-	15,534
Special events and fundraising	44,976	-	-	44,976
In-kind contributions	10,050	-	-	10,050
Investment income, net of expense	36,115	85,881	-	121,996
Change in market value of investments	123,099	292,733	-	415,832
Change in fair value of beneficial interest in endowment	-	-	4,271	4,271
Interest income	2,173	-	-	2,173
Net assets released from restrictions	<u>521,025</u>	<u>(521,025)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	<u>855,797</u>	<u>400,863</u>	<u>4,271</u>	<u>1,260,931</u>
Expenses				
Program Services				
Collections	88,201	-	-	88,201
Educational programs	461,938	-	-	461,938
Broadcasting	<u>31,508</u>	<u>-</u>	<u>-</u>	<u>31,508</u>
Total program services	<u>581,647</u>	<u>-</u>	<u>-</u>	<u>581,647</u>
Fundraising	91,562	-	-	91,562
General and administrative	<u>86,146</u>	<u>-</u>	<u>-</u>	<u>86,146</u>
Total expenses	<u>759,355</u>	<u>-</u>	<u>-</u>	<u>759,355</u>
Release of restrictions on restricted net assets	<u>408,797</u>	<u>(42,255)</u>	<u>(366,542)</u>	<u>-</u>
Change in net assets	505,239	358,608	(362,271)	501,576
Net assets, beginning of year	<u>2,032,601</u>	<u>1,960,043</u>	<u>2,931,764</u>	<u>6,924,408</u>
Net assets, end of year	<u><u>\$ 2,537,840</u></u>	<u><u>\$ 2,318,651</u></u>	<u><u>\$ 2,569,493</u></u>	<u><u>\$ 7,425,984</u></u>

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

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Revenue				
Contributions	\$ 60,013	\$ 456,982	\$ -	\$ 516,995
Wills and bequests	76,153	-	-	76,153
Service fees	29,014	-	-	29,014
Special events and fundraising	44,611	-	-	44,611
In-kind contributions	5,010	-	-	5,010
Investment income, net of expense	48,804	115,905	-	164,709
Change in market value of investments	(60,930)	(144,703)	-	(205,633)
Change in fair value of beneficial interest in endowment	-	-	(950)	(950)
Interest income	389	-	-	389
Net assets released from restrictions	<u>532,333</u>	<u>(532,333)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	735,397	(104,149)	(950)	630,298
Expenses				
Program Services				
Collections	52,885	-	-	52,885
Educational programs	651,908	-	-	651,908
Broadcasting	<u>28,253</u>	<u>-</u>	<u>-</u>	<u>28,253</u>
Total program services	733,046	-	-	733,046
Fundraising	66,818	-	-	66,818
General and administrative	<u>83,797</u>	<u>-</u>	<u>-</u>	<u>83,797</u>
Total expenses	883,661	-	-	883,661
Release of restrictions on restricted net assets	<u>248,924</u>	<u>(73,899)</u>	<u>(175,025)</u>	<u>-</u>
Change in net assets	100,660	(178,048)	(175,975)	(253,363)
Net assets, beginning of year	<u>1,931,941</u>	<u>2,138,091</u>	<u>3,107,739</u>	<u>7,177,771</u>
Net assets, end of year	<u><u>\$ 2,032,601</u></u>	<u><u>\$ 1,960,043</u></u>	<u><u>\$ 2,931,764</u></u>	<u><u>\$ 6,924,408</u></u>

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

MEMPHIS LIBRARY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 501,576	\$ (253,363)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
(Increase) decrease in market value of investments	(415,832)	205,633
(Increase) decrease in fair value of beneficial interest in endowment	(4,271)	950
Changes in Operating Assets and Liabilities:		
Unconditional promises to give, net	(183,871)	86,865
Accounts payable	914	(341,712)
Total adjustments	<u>(603,060)</u>	<u>(48,264)</u>
Net cash used for operating activities	(101,484)	(301,627)
Cash Flows From (Used For) Investing Activities:		
Purchases of investments	-	(76,153)
Proceeds from sales of investments	12,500	308,475
Interest income reinvested	(179,555)	(220,116)
Investment expenses	57,558	55,407
Net cash from (used for) investing activities	<u>(109,497)</u>	<u>67,613</u>
Net decrease in cash and cash equivalents	(210,981)	(234,014)
Cash and cash equivalents at beginning of year	785,660	1,019,674
Cash and cash equivalents at end of year	<u>\$ 574,679</u>	<u>\$ 785,660</u>

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

MEMPHIS LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Memphis Library Foundation (the "Foundation") is a not-for-profit organization established in 1994 and organized under the laws of the State of Tennessee. The purpose of the Foundation is to operate exclusively for the benefit of, to assist in the development of, and to carry out the purposes of the Memphis Public Library, doing business as The Memphis Shelby County Public Library & Information Center in Memphis, Tennessee (the "Library"). The Foundation accepts, processes, and manages private support to all Library branches from individuals, foundations, and corporations. Leading citizens of the Mid-South area comprise an independent Board of Directors.

Method of Accounting and Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Foundation reports its financial position and activities according to three classes of net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets consist of contributions made to establish endowment funds to be invested in perpetuity, the income from which is expendable for specific purposes based on the donors' wishes.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent contributions and other revenues that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. For endowments that the Foundation has agreed to hold and manage on a perpetual basis, temporarily restricted net assets include only amounts the endowment gift instruments allow to be spent. These temporarily restricted amounts are subject to time restriction, which expires if the board of directors approves a portion of spending. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of the Foundation. This includes voluntary board-approved designations of unrestricted net assets for specific purposes, projects, or investments. Because designations are voluntary and may be reversed at any time by the board, designated portions of net assets are not considered temporarily or permanently restricted. At June 30, 2017 and 2016, all board-designations were restricted towards funding programs and collections as determined by the board.

Use of Estimates

The presentation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation applies U.S. GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 3 for additional disclosures.

Concentrations and Credit Risk

The Foundation's credit risks relate primarily to cash and cash equivalents and investments. The Foundation maintains cash deposits with local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000. At times, deposits exceeded FDIC limits throughout the year. This risk is managed by maintaining such deposits in high-quality financial institutions.

Certain investments held in a brokerage account are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000. Investments, which are not insured by the FDIC or SIPC, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these certain investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Foundation's financial position and changes in its net assets.

For 2017 and 2016, the Foundation received 57% and 64%, respectively, of its contributions from three donors and four donors, respectively.

Revenue Recognition

The Foundation receives support from a variety of sources including corporations, charitable foundations, and private donors. Contributions, including private foundation grants, are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All contributions are considered unrestricted unless specifically restricted by the donor. Donor-restricted contributions are recorded as temporarily restricted or permanently restricted support depending on the existence and/or nature of the donor restrictions. When a donor restriction expires in the same year received, revenue is recognized as unrestricted net assets.

Service fees are recognized when the services are performed.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with initial maturities of three months or less to be cash equivalents. The Foundation has excluded cash and cash equivalents held in investment accounts.

Unconditional Promises to Give

Unconditional promises to give are recorded at their net realizable value when the promise is received. Management evaluates the collectability of unconditional promises to give on a yearly basis and evaluates the need for an allowance based upon historical trends and management's knowledge of the donors. Management considers all unconditional promises to give at June 30, 2017 and 2016 to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

For the year ended June 30, 2017, the loss on uncollectible promises to give for temporarily restricted pledges was \$10,000. There was no loss on uncollectible promises to give for the year ended June 30, 2016.

Investments

The Foundation carries investments at their fair values in the statement of financial position. Investment income is recorded net of related investment advisory expenses of \$57,558 and \$55,407 for the years ended June 30, 2017 and 2016, respectively. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated investments are recorded at fair value at the date of donation.

Beneficial Interest in Endowment

The Foundation's beneficial interest in endowment consists of an account at Hope Christian Community Foundation ("HCCF") which is reported at the fair value provided by HCCF.

Donated Materials and Services

Donated materials and services are recorded as in-kind contributions at their estimated fair values at the date of donation. Contributions of donated services are recognized in the financial statements if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the years ended June 30, 2017 and 2016, the Foundation received in-kind contributions valued at \$10,050 and \$5,010, respectively, related to donations of supplies and services. The corresponding expense has been allocated to the appropriate program or supporting service.

Donated Facilities

For each of the years ended June 30, 2017 and 2016, the Foundation received the free use of office space in the Central Library's facilities. Contributions and expenses related to the donated office space amounting to \$3,500 have been reflected in the accompanying statement of activities. This amount of donated facilities is included in the total in-kind contributions received for the year ended June 30, 2017.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code 501(c)(3) and, therefore, no provision has been made for such taxes. The Foundation files an exempt organization return in the U.S. federal jurisdiction.

Date of Management's Review

The Foundation evaluated its June 30, 2017 financial statements for subsequent events through October 5, 2017, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 226,875	\$ 38,333
Receivable within one to five years	-	5,000
Less unamortized discount	-	(329)
	<u>\$ 226,875</u>	<u>\$ 43,004</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 0.81%.

NOTE 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are described below

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 – Inputs (other than quoted prices with level 1) that are observable for the asset or liability, either directly or indirectly.

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 which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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. Valuation techniques used attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

Common Trust Funds: Valued at the net asset value of shares held by the Foundation at year end.

HCCF Balanced Pool: Valued at the Foundation's proportional share of the market value of the fund assets, as reported by the fund. HCCF has invested 60% of these funds in equity mutual funds and 40% of these funds in fixed income mutual funds.

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 Foundation 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 following table set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30:

	2017			2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Investments						
Cash Equivalents						
Money market mutual fund	\$ 49,542	\$ -	\$ 49,542	\$ 59,787	\$ -	\$ 59,787
Mutual Funds						
Equity	1,999,698	-	1,999,698	1,846,359	-	1,846,359
Fixed income	1,590,134	-	1,590,134	1,445,474	-	1,445,474
Common Trust Funds						
Equity	-	1,485,237	1,485,237	-	1,299,135	1,299,135
Multi-strategy	-	590,322	590,322	-	580,235	580,235
Fixed income	-	893,606	893,606	-	852,220	852,220
Total investments	3,639,374	2,969,165	6,608,539	3,351,620	2,731,590	6,083,210
Beneficial Interest in Endowment						
HCCF balanced pool	-	63,447	63,447	-	59,177	59,177
	<u>\$ 3,639,374</u>	<u>\$ 3,032,612</u>	<u>\$ 6,671,986</u>	<u>\$ 3,351,620</u>	<u>\$ 2,790,767</u>	<u>\$ 6,142,387</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Purpose Restricted:		
JobLINC mobile unit	\$ 30,795	\$ 33,985
Cloud901	323,934	353,735
Small business center	24,109	35,492
Health information center	7,272	12,803
Explore Memphis summer program	5,188	8,338
Youth development/MMI	32,193	-
Exterior improvements/Kresge	125,495	-
Library awareness program	17,922	-
Crenshaw	18,536	5,492
Cossitt	13,800	-
Teen/Tween	21,524	37,834
Discover READ	35,778	16,299
Other programs	<u>21,776</u>	<u>26,984</u>
Total purpose restricted	678,322	530,962
Time Restricted:		
Unappropriated endowment earnings	<u>1,640,329</u>	<u>1,429,081</u>
	<u>\$ 2,318,651</u>	<u>\$ 1,960,043</u>

NOTE 5 – ENDOWMENT FUNDS

At June 30, 2017 and 2016, permanently restricted net assets consist of endowment funds restricted for investment in perpetuity, the income from which is generally expendable for the endowment's specific purpose.

The Foundation's endowment consists of donor-restricted term endowment fund and board-designated quasi-endowment fund.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") applies to the Foundation's endowment funds unless the donor has specifically directed otherwise. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies the following as permanently restricted net assets:

- (1) The original value of gifts donated to the permanent endowment;
- (2) The subsequent gifts to the permanent endowment; and
- (3) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

- (1) The duration and preservation of the various funds;
- (2) The purposes of the donor-restricted endowment funds;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment policies, approved by the Board of Directors, for endowment assets that provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing operations. The Foundation expects its endowment funds to realize a total return over a market cycle of at least 5% over the inflation rate where a market cycle is generally considered to be a three to five year period.

The primary investment objective is to provide for consistent long-term growth of capital without undue exposure to risk. In order to achieve this objective, an asset allocation model has been defined as follows:

	<u>Minimum Weight</u>	<u>Maximum Weight</u>
Equity investments	45%	80%
Fixed income investments	40%	50%
Cash and equivalents	0%	15%

Spending Policy

The spending policy of each fund varies in accordance with donor stipulations; however, the funds are subject to the investment policy of the Foundation. The Foundation's present spending policy anticipates expenditures equal to 5% of the endowment balance at the beginning of each year.

The following is a brief description of the purpose of each donor established endowment fund:

Collection Endowment – Income generated is to be used for operating expenses and general collections.

Medical Endowment – Income generated is to be used to acquire materials and conduct programs related to the medical sciences.

Religion Endowment – Income generated is to be used to acquire materials and conduct programs related to religion.

Memphis Music Endowment – Income generated is to be used to acquire music and video recordings, sheet music, private collections, books, and oral histories of Memphis music personalities and to host educational programs for young and old to hear original or taped Memphis music with annotation and storytelling and explanation by scholars and musicians.

Goodwyn Program Endowment – Income generated is to be used to conduct new informational programs and expand or enhance current programming targeted for adults and youth.

Goodwyn Collection Endowment – Income generated is to be used to acquire new library materials in the areas of business, trade, industry, engineering, architecture, science, chemistry, physics, and local historical subjects.

Goodwyn Maintenance Endowment – Income generated is to be used to maintain the Gallery and Pre-Function areas of the Central Library.

Memphis Room Endowment – Income generated is to be used to collect papers and manuscripts that are crucial to telling the story of the many aspects of Memphis and Shelby County history including business, politics, music, philanthropy and medicine.

The Foundation's board of directors voted to set aside various unrestricted funds and investments received as board-designated quasi-endowment funds. Transfers to and from quasi-endowment funds are determined by the board of directors.

A reconciliation of the endowment funds' beginning and ending balances for 2016 and 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	\$ 1,353,670	\$ 1,637,048	\$ 3,107,739	\$ 6,098,457
Investment Return				
Investment income	56,529	154,895	-	211,424
Net appreciation (depreciation)	(52,809)	(144,703)	-	(197,512)
Investment fees	(14,229)	(38,990)	-	(53,219)
Net investment return	(10,509)	(28,798)	-	(39,307)
Release of restrictions on restricted net assets	248,924	(73,899)	(175,025)	-
Change in beneficial interest in endowment	-	-	(950)	(950)
Appropriations for expenditure	(3,629)	(105,270)	-	(108,899)
Endowment net assets, June 30, 2016	\$ 1,588,456	\$ 1,429,081	\$ 2,931,764	\$ 5,949,301
Investment Return				
Investment income	46,979	126,400	-	173,379
Net appreciation (depreciation)	108,800	292,733	-	401,533
Investment fees	(15,060)	(40,519)	-	(55,579)
Net investment return	140,719	378,614	-	519,333
Release of restrictions on restricted net assets	408,797	(42,255)	(366,542)	-
Change in beneficial interest in endowment	-	-	4,271	4,271
Appropriations for expenditure	(15,678)	(125,111)	-	(140,789)
Endowment net assets, June 30, 2017	<u>\$ 2,122,294</u>	<u>\$ 1,640,329</u>	<u>\$ 2,569,493</u>	<u>\$ 6,332,116</u>

During the year ended June 30, 2017, after review of original documentation relating to the Collection Endowment account activity from 2009, the Foundation determined that a portion of the investment earnings had been incorrectly recorded as permanently restricted but was actually restricted by board-designation. The Foundation corrected the error by releasing \$366,542 of permanently restricted net assets and \$42,255 of temporarily restricted net assets in the current year.

During the year ended June 30, 2016, after review of original documentation relating to the Broadcast Endowment, the Foundation determined that the Broadcast Endowment, which had been recorded as permanently restricted, was actually restricted by board-designation. The Foundation corrected the error by releasing \$175,025 of permanently restricted net assets and \$73,899 of temporarily restricted net assets for the year ended June 30, 2016.

Endowment net asset composition by fund consisted of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds:				
Collection	\$ -	\$ 506,515	\$ 778,183	\$ 1,284,698
Medical	-	19,325	24,640	43,965
Religion	-	22,668	50,851	73,519
Music	-	406,390	634,757	1,041,147
Goodwyn program	-	324,309	367,928	692,237
Goodwyn collection	-	257,908	408,807	666,715
Goodwyn maintenance	-	32,428	40,880	73,308
Memphis room	-	70,786	200,000	270,786
Chuck Neal Library Fund	-	-	63,447	63,447
Total donor-restricted endowment funds	-	1,640,329	2,569,493	4,209,822
Board-Designated Endowment Funds:				
Broadcast	249,572	-	-	249,572
Collection	408,797	-	-	408,797
Library operations	1,463,925	-	-	1,463,925
Total board-designated endowment funds	2,122,294	-	-	2,122,294
Total endowment funds	\$ 2,122,294	\$ 1,640,329	\$ 2,569,493	\$ 6,332,116

Endowment net asset composition by fund consisted of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds:				
Collection	\$ -	\$ 522,875	\$ 1,144,725	\$ 1,667,600
Medical	-	15,747	24,640	40,387
Religion	-	16,686	50,850	67,536
Music	-	325,080	634,757	959,837
Goodwyn program	-	269,017	367,928	636,945
Goodwyn collection	-	203,651	408,807	612,458
Goodwyn maintenance	-	26,462	40,880	67,342
Memphis room	-	49,563	200,000	249,563
Chuck Neal Library Fund	-	-	59,177	59,177
Total donor-restricted endowment funds	-	1,429,081	2,931,764	4,360,845
Board-Designated Endowment Funds:				
Broadcast	243,663	-	-	243,663
Library operations	1,344,793	-	-	1,344,793
	<u>1,588,456</u>	<u>-</u>	<u>-</u>	<u>1,588,456</u>
Total endowment funds	<u>\$ 1,588,456</u>	<u>\$ 1,429,081</u>	<u>\$ 2,931,764</u>	<u>\$ 5,949,301</u>

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2017 and 2016.