

MEMPHIS LIBRARY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

MEMPHIS LIBRARY FOUNDATION

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Independent Auditor's Report

Board of Directors
Memphis Library Foundation
Memphis, Tennessee

We have audited the accompanying financial statements of Memphis Library Foundation (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Memphis Library Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Memphis Library Foundation for the year ended June 30, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on February 10, 2021.

Frazier Amy Davis PLC

Memphis, Tennessee
December 1, 2021

MEMPHIS LIBRARY FOUNDATION

Statements of Financial Position

June 30, 2021 and 2020

	ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents		\$ 760,864	\$ 610,577
Unconditional promises to give		-	20,000
Grants receivable		78,326	43,592
Other receivables		7,793	36,850
Investments		8,541,980	6,985,871
Beneficial interest in endowment		82,655	67,820
Prepaid expenses		264	864
		<u>264</u>	<u>864</u>
Total assets		<u>\$ 9,471,882</u>	<u>\$ 7,765,574</u>
	LIABILITIES AND NET ASSETS		
Liabilities			
Accounts payable		\$ 72,111	\$ 27,691
Other current liabilities		-	12,208
Paycheck Protection Program loan		32,190	25,400
		<u>32,190</u>	<u>25,400</u>
Total liabilities		<u>104,301</u>	<u>65,299</u>
Net assets			
Without donor restrictions		2,959,428	2,498,862
With donor restrictions		6,408,153	5,201,413
		<u>6,408,153</u>	<u>5,201,413</u>
Total net assets		<u>9,367,581</u>	<u>7,700,275</u>
Total liabilities and net assets		<u>\$ 9,471,882</u>	<u>\$ 7,765,574</u>

See accompanying notes to the financial statements.

MEMPHIS LIBRARY FOUNDATION

Statements of Activities

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 73,467	\$ 493,977	\$ 567,444
Service fees	48,792	-	48,792
Government grants	55,249	-	55,249
Special events and fundraising	11,275	-	11,275
In-kind contributions	3,625	8,343	11,968
Net investment income	662,657	1,185,700	1,848,357
Change in fair value of beneficial interest in endowment	-	14,835	14,835
Interest income	1,374	-	1,374
	856,439	1,702,855	2,559,294
Reclassifications			
Net assets released from restriction	496,115	(496,115)	-
	1,352,554	1,206,740	2,559,294
Expenses			
Program services			
Collections	52,243	-	52,243
Library programs	624,849	-	624,849
Broadcasting	7,056	-	7,056
Total program services	684,148	-	684,148
General and administrative	116,325	-	116,325
Fundraising	91,515	-	91,515
	891,988	-	891,988
Change in net assets	460,566	1,206,740	1,667,306
Net assets, beginning of year	2,498,862	5,201,413	7,700,275
Net assets, end of year	\$ 2,959,428	\$ 6,408,153	\$ 9,367,581

MEMPHIS LIBRARY FOUNDATION

Statements of Activities (continued)

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 100,241	\$ 304,000	\$ 404,241
Service fees	25,108	-	25,108
Special events and fundraising	7,660	-	7,660
In-kind contributions	3,672	5,108	8,780
Net investment income	153,964	266,437	420,401
Change in fair value of beneficial interest in endowment	-	24	24
Interest income	2,698	-	2,698
	293,343	575,569	868,912
Reclassifications			
Net assets released from restriction	261,977	(261,977)	-
	293,343	575,569	868,912
Total revenues and support and reclassifications	555,320	313,592	868,912
Expenses			
Program services			
Collections	24,817	-	24,817
Library programs	302,980	-	302,980
Broadcasting	7,280	-	7,280
Total program services	335,077	-	335,077
General and administrative	130,859	-	130,859
Fundraising	83,213	-	83,213
	549,149	-	549,149
Change in net assets	6,171	313,592	319,763
Net assets, beginning of year	2,492,691	4,887,821	7,380,512
Net assets, end of year	\$ 2,498,862	\$ 5,201,413	\$ 7,700,275

MEMPHIS LIBRARY FOUNDATION

Statements of Functional Expenses

For the year ended June 30, 2021

	Program Services				Supporting Services			Total
	Collections	Library Programs	Broadcasting	Sub - Total	General and Administrative	Fundraising	Sub - Total	
Advertising	\$ -	\$ 600	\$ 7,056	\$ 7,656	\$ 4,503	\$ 4,436	\$ 8,939	\$ 16,595
Library repairs and maintenance	-	5,642	-	5,642	-	-	-	5,642
Classes and presentations	-	24,813	-	24,813	-	-	-	24,813
Collections	52,243	-	-	52,243	-	-	-	52,243
Fees	-	-	-	-	294	-	294	294
Library furniture and equipment	-	98,174	-	98,174	-	-	-	98,174
Incentives	-	25,892	-	25,892	-	-	-	25,892
Insurance	-	-	-	-	2,751	-	2,751	2,751
Licenses, dues and subscriptions	-	9,155	-	9,155	1,138	240	1,378	10,533
Meals, catering and snacks	-	-	-	-	515	-	515	515
Miscellaneous	-	-	-	-	779	-	779	779
Honorariums	-	11,550	-	11,550	-	-	-	11,550
Performer	-	4,975	-	4,975	-	-	-	4,975
Postage and shipping	-	-	-	-	1,167	-	1,167	1,167
Printing and office supplies	-	775	-	775	2,329	-	2,329	3,104
Professional fees	-	88,693	-	88,693	50,470	-	50,470	139,163
Rentals	-	-	-	-	3,710	-	3,710	3,710
Supplies	-	57,942	-	57,942	-	-	-	57,942
Salaries and wages	-	65,840	-	65,840	33,057	67,075	100,132	165,972
Payroll taxes	-	5,134	-	5,134	2,577	5,229	7,806	12,940
Employee benefits	-	7,974	-	7,974	3,987	7,974	11,961	19,935
Payroll service fees	-	539	-	539	269	538	807	1,346
Contract labor	-	16,655	-	16,655	-	-	-	16,655
Software	-	26,243	-	26,243	8,159	-	8,159	34,402
Special events	-	-	-	-	-	6,023	6,023	6,023
Staff development	-	-	-	-	620	-	620	620
Technology	-	161,140	-	161,140	-	-	-	161,140
Training	-	9,453	-	9,453	-	-	-	9,453
Travel	-	3,660	-	3,660	-	-	-	3,660
Total expenses	\$ 52,243	\$ 624,849	\$ 7,056	\$ 684,148	\$ 116,325	\$ 91,515	\$ 207,840	\$ 891,988

See accompanying notes to the financial statements.

MEMPHIS LIBRARY FOUNDATION

Statements of Functional Expenses (continued)

For the year ended June 30, 2020

	Program Services				Supporting Services			Total
	Collections	Library Programs	Broadcasting	Sub - Total	General and Administrative	Fundraising	Sub - Total	
Advertising	\$ -	\$ 8,128	\$ 5,380	\$ 13,508	\$ 15,254	\$ 12,349	\$ 27,603	\$ 41,111
Library repairs and maintenance	-	1,555	1,900	3,455	-	-	-	3,455
Classes and presentations	-	14,596	-	14,596	-	-	-	14,596
Collections	24,817	-	-	24,817	-	-	-	24,817
Fees	-	-	-	-	984	-	984	984
Library furniture and equipment	-	21,271	-	21,271	-	-	-	21,271
Incentives	-	9,186	-	9,186	-	-	-	9,186
Insurance	-	-	-	-	2,727	-	2,727	2,727
Licenses, dues and subscriptions	-	536	-	536	1,423	240	1,663	2,199
Meals, catering and snacks	-	4,108	-	4,108	1,353	-	1,353	5,461
Miscellaneous	-	-	-	-	28	-	28	28
Honorariums	-	150	-	150	-	-	-	150
Performer	-	4,600	-	4,600	-	-	-	4,600
Postage and shipping	-	560	-	560	2,007	935	2,942	3,502
Printing and office supplies	-	574	-	574	3,803	-	3,803	4,377
Professional fees	-	-	-	-	55,216	-	55,216	55,216
Rentals	-	-	-	-	3,535	-	3,535	3,535
Supplies	-	54,130	-	54,130	-	-	-	54,130
Salaries and wages	-	53,326	-	53,326	33,340	68,590	101,930	155,256
Payroll taxes	-	11,746	-	11,746	-	-	-	11,746
Payroll service fees	-	1,061	-	1,061	-	-	-	1,061
Contract labor	-	90,029	-	90,029	-	-	-	90,029
Software	-	11,144	-	11,144	7,535	-	7,535	18,679
Special events	-	-	-	-	-	1,099	1,099	1,099
Staff development	-	-	-	-	3,654	-	3,654	3,654
Technology	-	3,026	-	3,026	-	-	-	3,026
Training	-	352	-	352	-	-	-	352
Travel	-	12,902	-	12,902	-	-	-	12,902
Total expenses	\$ 24,817	\$ 302,980	\$ 7,280	\$ 335,077	\$ 130,859	\$ 83,213	\$ 214,072	\$ 549,149

See accompanying notes to the financial statements.

MEMPHIS LIBRARY FOUNDATION

Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	2021	2020
Operating activities		
Change in net assets	\$ 1,667,306	\$ 319,763
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in market value of investments	(1,689,484)	(190,212)
Change in fair value of beneficial interest in endowment	(14,835)	(24)
Paycheck Protection Program loan forgiveness	(25,400)	-
Reinvested dividends	(225,154)	(286,871)
Changes in operating assets and liabilities:		
Unconditional promises to give	20,000	1,015
Grants receivable	(34,734)	(43,592)
Other receivables	29,057	(36,850)
Other assets	600	(864)
Accounts payable	44,420	(3,869)
Other current liabilities	(12,208)	-
Net cash used in operating activities	(240,432)	(241,504)
Investing activities		
Purchases of investments	(1,497,075)	(1,026)
Proceeds from the sale of investments	1,855,604	57,727
Net cash provided by investing activities	358,529	56,701
Financing activities		
Proceeds from Paycheck Protection Program loan	32,190	25,400
Net cash provided by financing activities	32,190	25,400
Change in cash and cash equivalents	150,287	(159,403)
Cash and cash equivalents, beginning of year	610,577	769,980
Cash and cash equivalents, end of year	\$ 760,864	\$ 610,577

Note 1 – Organization and Activities

Organization

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 Memphis Public Libraries 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting. Under this basis of accounting, revenues and support are recognized in the period earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three month or less to be cash equivalents.

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, 2021 and 2020 to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Note 2 – Summary of Significant Accounting Policies (continued)*Investments*

Investments in marketable debt and equity securities are measured at fair value. Investment gains and losses are reported as increases or decreases in unrestricted net assets, unless otherwise restricted by donors. Investment gains restricted by donors are reported as increases in net assets with donor restrictions (purpose or in perpetuity) depending on the nature of the restriction. 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 Christian Community Foundation ("CCF") which is reported at the fair value provided by CCF.

Fair Value Measurements

Accounting standards define 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 and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability in an orderly transaction.

Revenues and Support

The Foundation receives revenues and support from a variety of sources including private contributions. Contributions received are recorded as support with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to the Foundation that is, in substance, unconditional. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are received.

Contributions and investment income that are limited to specific uses by donor-imposed restrictions are reported as being received without donor restrictions when the restrictions are met within the same reporting period. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires or is satisfied.

In-kind Contributions and Donated Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create 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.

Donated Facilities

For each of the years ended June 30, 2021 and 2020, the Foundation received free use of office space in the Central Library's facilities. Contributions and expenses related to the donated office space have been reflected in the accompanying statement of activities. Donated facilities in the amounts of \$3,500 are included in the total in-kind contributions received for the years ended June 30, 2021 and 2020, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)*Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Type of Expense</u>	<u>Method of Allocation</u>
Other building occupancy	Full time equivalent
Supplies and services	Full time equivalent
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort

Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Foundation files tax returns in the United States federal jurisdiction and is no longer subject to tax examinations by tax authorities for the years prior to 2018.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Concentration of Risk

Although the Foundation has a policy to maintain a diversified portfolio, investment securities are subject to market and credit risk, including the issuers' ability to meet their obligations, which may be affected by general economic conditions or economic developments in a specific geographic region or industry.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes had no effect on the previously reported net assets.

Note 2 – Summary of Significant Accounting Policies (continued)*Recently Adopted Accounting Guidance*

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which impacts virtually all aspects of an entity’s revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, as well as most industry-specific guidance, and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principles-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply a five-step process. ASU 2014-09 also specifies the accounting for some costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. The Foundation adopted the guidance effective July 1, 2020 using full retrospective application.

Subsequent Events

Management has evaluated subsequent events through December 1, 2021, the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Checking and savings accounts	\$ 582,258	\$ 502,532
Money market funds	<u>178,606</u>	<u>108,045</u>
Cash and cash equivalents	<u>\$ 760,864</u>	<u>\$ 610,577</u>

Note 4 – Investments

Investments consisted of various securities held by a third-party custodian totaling \$8,541,980 and \$6,985,871 as of June 30, 2021 and 2020, respectively.

Net investment income for the years ended June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Change in market value of investments	\$ 1,689,484	\$ 190,212
Interest and dividend income	225,232	286,873
Investment fees	<u>(66,359)</u>	<u>(56,684)</u>
Net investment income	<u>\$ 1,848,357</u>	<u>\$ 420,401</u>

Note 5 – Fair Value Measurements

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation’s assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

There have been no changes in the methodologies used at June 30, 2021 and 2020. The following is a description of the valuation methodology used for assets measured at fair value.

Fair value of assets measured on a recurring basis as of June 30, 2021, includes the following:

	<u>2021</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Mutual funds			
Equity funds	\$ 5,859,273	\$ 5,859,273	\$ -
Fixed income	<u>2,682,707</u>	<u>2,682,707</u>	<u>-</u>
Total fair value of investments	<u>\$ 8,541,980</u>	<u>\$ 8,541,980</u>	<u>\$ -</u>

Fair value of assets measured on a recurring basis as of June 30, 2020, includes the following:

	<u>2020</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Mutual funds			
Equity funds	\$ 4,702,433	\$ 4,702,433	\$ -
Fixed income	<u>2,283,438</u>	<u>2,283,438</u>	<u>-</u>
Total fair value of investments	<u>\$ 6,985,871</u>	<u>\$ 6,985,871</u>	<u>\$ -</u>

Beneficial Interest in Endowment

The Foundation invests in pooled funds for which quoted prices are not available in active markets for identical instruments. The Foundation utilizes the net asset value (“NAV”) of units, as determined by the trustee, as the estimated fair value. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

In accordance with Topic 820, pooled funds, which are measured at NAV per share (or its equivalent), have not been classified in the fair value hierarchy. The fair value amounts presented in the following table represent all the Foundation’s assets reported at fair value presented in the statements of financial position as of June 30, 2021 and 2020.

Note 5 – Fair Value Measurements (continued)

The NAV of the instruments is determined using the market value (or fair value if market data is unavailable) of the underlying securities. Investment securities valued at NAV as of June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
CCF balanced pool	<u>\$ 82,655</u>	<u>\$ 67,820</u>	<u>\$ -</u>	Monthly	None

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although 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.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Cloud901	\$ 237,454	\$ 249,816
Cossitt	84,800	32,550
Enhancing Literacy Education	51,114	-
JobLINC mobile unit	37,442	16,433
STEM	37,223	36,469
Broadcast	30,701	15,205
Dunbar Abston	16,381	16,381
Teen/Tween	14,595	14,175
Discover READ	12,539	14,207
Explore Memphis summer program	9,075	18,524
LINC 211	7,506	8,534
Other	65,191	68,540
Total purpose restricted	<u>604,021</u>	<u>490,834</u>
Time restricted		
Unappropriated endowment earnings	<u>3,215,431</u>	<u>2,136,714</u>
Perpetual in nature	<u>2,588,701</u>	<u>2,573,865</u>
Total net assets with donor restrictions	<u>\$ 6,408,153</u>	<u>\$ 5,201,413</u>

Note 7 – Endowment Funds

The Foundation's endowment funds consist of funds restricted for investment in perpetuity, the income from which is generally expendable for the endowment's specific purpose. The endowment includes both donor-restricted endowment funds and funds designated by the Foundation's Board of Directors to function as endowments.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the State of Tennessee as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate 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 the investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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 fund 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:

	Minimum Weight	Maximum Weight	Target Weight
Equity investments	50%	70%	60%
Fixed income investments	30%	50%	40%
Alternatives	0%	10%	0%
Cash and equivalents	0%	10%	0%

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 up to 5% of the endowment balance at the beginning of each year.

The following is a brief description of the purpose of each donor restricted 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.

Note 7 – Endowment Funds (continued)

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 funds without donor restrictions and investments received as board-designated quasi-endowment funds. Transfers to and from quasi-endowment funds are determined by the Board of Directors.

Changes in endowment net assets for the year ended June 30, 2021, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,479,964	\$ 4,720,205	\$ 7,200,169
Investment return:			
Interest and dividends	78,294	144,357	222,651
Net appreciation	588,182	1,083,860	1,672,042
Investment fees	(23,083)	(42,518)	(65,601)
Total investment return	<u>643,393</u>	<u>1,185,699</u>	<u>1,829,092</u>
Change in beneficial interest in endowment	-	14,835	14,835
Appropriation of endowment assets for expenditure	<u>(109,747)</u>	<u>(116,607)</u>	<u>(226,354)</u>
Endowment net assets, end of year	<u>\$ 3,013,610</u>	<u>\$ 5,804,132</u>	<u>\$ 8,817,742</u>

MEMPHIS LIBRARY FOUNDATION

Notes to the Financial Statements

June 30, 2021 and 2020

Note 7 – Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2020, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,348,182	\$ 4,474,250	\$ 6,822,432
Investment return:			
Interest and dividends	99,444	181,694	281,138
Net appreciation	65,646	120,648	186,294
Investment fees	<u>(19,650)</u>	<u>(35,901)</u>	<u>(55,551)</u>
Total investment return	145,440	266,441	411,881
Contributions	1,142	268	1,410
Release of restrictions on restricted net assets	(1,355)	-	(1,355)
Change in beneficial interest in endowment	-	24	24
Appropriation of endowment assets for expenditure	<u>(13,445)</u>	<u>(20,778)</u>	<u>(34,223)</u>
Endowment net assets, end of year	<u>\$ 2,479,964</u>	<u>\$ 4,720,205</u>	<u>\$ 7,200,169</u>

Endowment net asset composition by type of fund consisted of the following as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds			
Collection	\$ -	\$ 1,552,393	\$ 1,552,393
Medical	-	65,905	65,905
Religion	-	103,130	103,130
Music	-	1,514,535	1,514,535
Goodwyn program	-	997,965	997,965
Goodwyn collection	-	1,003,531	1,003,531
Goodwyn maintenance	-	94,126	94,126
Memphis room	-	389,892	389,892
Chuck Neal Library Fund	<u>-</u>	<u>82,655</u>	<u>82,655</u>
Total donor-restricted endowment funds	-	5,804,132	5,804,132
Board-Designated Quasi-Endowment Funds			
Broadcast	358,899	-	358,899
Collection	517,683	-	517,683
Marsich	2,128,013	-	2,128,013
Other	<u>9,015</u>	<u>-</u>	<u>9,015</u>
Total board-designated quasi-endowment funds	<u>3,013,610</u>	<u>-</u>	<u>3,013,610</u>
Total endowment funds	<u>\$ 3,013,610</u>	<u>\$ 5,804,132</u>	<u>\$ 8,817,742</u>

Note 7 – Endowment Funds (continued)

Endowment net asset composition by type of fund consisted of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Collection	\$ -	\$ 1,321,379	\$ 1,321,379
Medical	-	52,246	52,246
Religion	-	81,759	81,759
Music	-	1,218,562	1,218,562
Goodwyn program	-	797,120	797,120
Goodwyn collection	-	795,544	795,544
Goodwyn maintenance	-	74,618	74,618
Memphis room	-	311,157	311,157
Chuck Neal Library Fund	-	67,820	67,820
Total donor-restricted endowment funds	-	4,720,205	4,720,205
Board-Designated Quasi-Endowment Funds			
Broadcast	311,933	-	311,933
Collection	415,825	-	415,825
Marsich	1,694,979	-	1,694,979
Other	57,227	-	57,227
Total board-designated quasi-endowment funds	2,479,964	-	2,479,964
Total endowment funds	\$ 2,479,964	\$ 4,720,205	\$ 7,200,169

Note 8 – Concentrations

For the years ended June 30, 2021 and 2020, the Foundation received 42% and 41%, respectively, of its contributions from two donors.

Note 9 – Paycheck Protection Program Loans

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, authorized the Small Business Administration (“SBA”) to issue loans under the Payroll Protection Program (“PPP”) in order to keep the staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Foundation must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period. The terms of the agreement specify that the Foundation must repay the principal of the loan back plus interest, which accrues at 1% semi-annually. Upon maturity, the loan and accrued interest payable may be forgiven if the Foundation fulfills the agreed upon terms. The Foundation’s management has determined the transaction should be recorded using the FASB ASC 470, Debt, model. Under this model, the effects of any anticipated forgiveness of the loan are not recognized in the financial statements until the Foundation has been notified by the SBA that the loan, in whole or in part, has been approved for forgiveness.

On April 20, 2020, the Foundation received a Small Business Administration (“SBA”) loan in the amount of \$25,400. On December 29, 2020, the Organization was informed that the PPP loan had been forgiven in full, therefore the forgiveness of debt totaling \$25,400 has been recognized within Government grants on the accompanying statement of activities.

Note 9 – Paycheck Protection Program Loans (continued)

In April 2021, the Foundation received a second draw PPP loan in the amount of \$32,190. On September 14, 2021, the Organization was informed that the PPP loan had been forgiven in full.

Note 10 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2021 and 2020, the Foundation's current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 760,864	\$ 610,577
Unconditional promises to give	-	20,000
Grants receivable	78,326	43,592
Other receivables	7,793	36,850
Investments	8,541,980	6,985,871
Beneficial interest in endowment	82,655	67,820
	<u>9,471,618</u>	<u>7,764,710</u>
Amounts not available to be used within one year:		
Donor-restricted endowment funds	(5,804,132)	(4,720,205)
Board-designated endowment funds	(3,013,610)	(2,479,964)
Net assets with purpose restriction	<u>(604,021)</u>	<u>(490,834)</u>
	<u>(9,421,763)</u>	<u>(7,691,003)</u>
Financial assets not available to be used within one year		
	<u>(9,421,763)</u>	<u>(7,691,003)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 49,855</u>	<u>\$ 73,707</u>