

MEMPHIS LIBRARY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



CERTIFIED PUBLIC ACCOUNTANTS

MEMPHIS LIBRARY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Library Foundation
Memphis, Tennessee

Opinion

We have audited the financial statements of Memphis Library Foundation, a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Memphis Library Foundation as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Library Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Memphis Library Foundation for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Library Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Memphis Library Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Library Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Memphis, Tennessee
December 23, 2024

*Henderson Hutcherson
& McCullough, PLLC*

MEMPHIS LIBRARY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

ASSETS		2024	2023
CURRENT ASSETS			
Cash, cash equivalents, and restricted cash	\$	2,808,430	\$ 2,586,517
Contribution and grants receivables		147,848	43,003
Investments		9,358,212	9,506,991
Beneficial interest in endowment		84,924	76,065
Prepaid expenses		23,506	1,056
Other assets		417	-
Total current assets		<u>12,423,337</u>	<u>12,213,632</u>
TOTAL ASSETS		<u>\$ 12,423,337</u>	<u>\$ 12,213,632</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	22,243	\$ 76,645
Other current liabilities		<u>1,001</u>	<u>938</u>
Total current liabilities		<u>23,244</u>	<u>77,583</u>
Total liabilities		<u>23,244</u>	<u>77,583</u>
NET ASSETS			
Without donor restrictions			
Board-designated endowment funds		2,285,869	2,805,538
Other		(9,259)	(352,405)
With donor restrictions		<u>10,123,483</u>	<u>9,682,916</u>
Total net assets		<u>12,400,093</u>	<u>12,136,049</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 12,423,337</u>	<u>\$ 12,213,632</u>

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 94,250	\$ 260,467	\$ 354,717
Service fees	19,221	-	19,221
Special events and fundraising	25,904	-	25,904
Contributions of nonfinancial assets	18,478	-	18,478
Net investment income	261,630	772,963	1,034,593
Change in fair value of beneficial interest in endowment	-	8,859	8,859
Interest income	63	-	63
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>601,722</u>	<u>(601,722)</u>	<u>-</u>
 Total support and revenue	 <u>1,021,268</u>	 <u>440,567</u>	 <u>1,461,835</u>
EXPENSES			
Program services:			
Collections	35,541	-	35,541
Library programs	782,958	-	782,958
General and administrative	205,032	-	205,032
Fundraising	<u>174,260</u>	<u>-</u>	<u>174,260</u>
 Total expenses	 <u>1,197,791</u>	 <u>-</u>	 <u>1,197,791</u>
CHANGE IN NET ASSETS	(176,523)	440,567	264,044
 Net assets - beginning of year	 <u>2,453,133</u>	 <u>9,682,916</u>	 <u>12,136,049</u>
 Net assets - end of year	 <u>\$ 2,276,610</u>	 <u>\$10,123,483</u>	 <u>\$12,400,093</u>

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

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 248,734	\$ 203,555	\$ 452,289
Service fees	23,803	-	23,803
Special events and fundraising	22,880	-	22,880
Contributions of nonfinancial assets	5,699	-	5,699
Net investment income	264,544	529,308	793,852
Change in fair value of beneficial interest in endowment	-	5,139	5,139
Interest income	66	-	66
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>645,982</u>	<u>(645,982)</u>	<u>-</u>
 Total support and revenue	 <u>1,211,708</u>	 <u>92,020</u>	 <u>1,303,728</u>
EXPENSES			
Program services:			
Collections	7,870	-	7,870
Library programs	802,062	-	802,062
General and administrative	181,661	-	181,661
Fundraising	<u>146,804</u>	<u>-</u>	<u>146,804</u>
 Total expenses	 <u>1,138,397</u>	 <u>-</u>	 <u>1,138,397</u>
CHANGE IN NET ASSETS	73,311	92,020	165,331
 Net assets - beginning of year	 <u>2,379,822</u>	 <u>9,590,896</u>	 <u>11,970,718</u>
 Net assets - end of year	 <u>\$ 2,453,133</u>	 <u>9,682,916</u>	 <u>\$12,136,049</u>

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Collections	Library Program	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ 74,950	\$ 74,950	\$ 40,410	\$ 112,407	\$ 227,767
Payroll taxes	-	6,106	6,106	3,267	8,953	18,326
Employee benefits	-	11,149	11,149	5,971	16,592	33,712
Total salaries and benefits	-	92,205	92,205	49,648	137,952	279,805
Advertising expense	-	554	554	8,422	7,023	15,999
Classes and presentations	-	95,981	95,981	-	-	95,981
Collections	35,541	-	35,541	-	-	35,541
Fees	-	-	-	2,213	-	2,213
Honorariums	-	2,550	2,550	-	-	2,550
Incentives	-	23,902	23,902	-	-	23,902
Insurance	-	-	-	2,948	-	2,948
Library furniture and equipment	-	160,995	160,995	-	-	160,995
Licenses, dues and subscriptions	-	3,115	3,115	3,954	30	7,099
Meals, catering and snacks	-	32,767	32,767	5,646	106	38,519
Miscellaneous	-	3,948	3,948	480	-	4,428
Payroll service fees	-	854	854	427	854	2,135
Performer	-	17,141	17,141	-	-	17,141
Postage and shipping	-	-	-	2,328	-	2,328
Printing and office supplies	-	-	-	4,737	-	4,737
Professional fees	-	131,035	131,035	92,527	-	223,562
Rentals	-	3,930	3,930	5,094	-	9,024
Software	-	47,068	47,068	13,816	-	60,884
Special events	-	-	-	-	28,295	28,295
Staff development	-	-	-	9,318	-	9,318
Supplies	-	149,650	149,650	-	-	149,650
Technology	-	2,927	2,927	-	-	2,927
Training	-	2,993	2,993	70	-	3,063
Travel	-	11,343	11,343	3,404	-	14,747
Total functional expenses	<u>\$ 35,541</u>	<u>\$ 782,958</u>	<u>\$ 818,499</u>	<u>\$ 205,032</u>	<u>\$ 174,260</u>	<u>\$ 1,197,791</u>

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

MEMPHIS LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Collections	Library Program	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ -	\$ 71,500	\$ 71,500	\$ 38,000	\$ 105,500	\$ 215,000
Payroll taxes	-	5,715	5,715	3,032	8,349	17,096
Employee benefits	-	8,115	8,115	4,286	11,857	24,258
Total salaries and benefits	-	85,330	85,330	45,318	125,706	256,354
Advertising expense	-	326	326	2,500	12,030	14,856
Classes and presentations	-	69,445	69,445	-	-	69,445
Collections	7,870	-	7,870	-	-	7,870
Contract labor	-	7,008	7,008	-	-	7,008
Fees	-	-	-	1,495	-	1,495
Honorariums	-	17,954	17,954	-	-	17,954
Incentives	-	41,252	41,252	-	-	41,252
Insurance	-	-	-	2,894	-	2,894
Library furniture and equipment	-	181,957	181,957	-	-	181,957
Library repairs and maintenance	-	31,448	31,448	-	-	31,448
Licenses, dues and subscriptions	-	1,670	1,670	1,206	10	2,886
Meals, catering and snacks	-	26,687	26,687	2,873	-	29,560
Miscellaneous	-	3,088	3,088	1,838	-	4,926
Payroll service fees	-	454	454	227	454	1,135
Performer	-	20,993	20,993	-	-	20,993
Postage and shipping	-	389	389	1,826	-	2,215
Printing and office supplies	-	43	43	4,033	-	4,076
Professional fees	-	38,312	38,312	91,906	-	130,218
Rentals	-	10,044	10,044	3,500	-	13,544
Software	-	46,900	46,900	11,981	-	58,881
Special events	-	-	-	-	8,604	8,604
Staff development	-	-	-	4,321	-	4,321
Supplies	-	156,978	156,978	-	-	156,978
Technology	-	47,529	47,529	-	-	47,529
Training	-	1,899	1,899	1,249	-	3,148
Travel	-	12,356	12,356	4,494	-	16,850
Total functional expenses	<u>\$ 7,870</u>	<u>\$ 802,062</u>	<u>\$ 809,932</u>	<u>\$ 181,661</u>	<u>\$ 146,804</u>	<u>\$ 1,138,397</u>

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

MEMPHIS LIBRARY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 264,044	\$ 165,331
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in market value of investments	(609,791)	(395,991)
Change in fair value of beneficial interest in endowment	(8,859)	(5,139)
Change in operating assets and liabilities:		
Contribution and grants receivables	(104,845)	3,070,922
Other receivables	-	750
Prepaid expenses	(22,450)	(250)
Other assets	(417)	-
Accounts payable	(54,402)	40,793
Other current liabilities	63	(1,622)
Total adjustments	(800,701)	2,709,463
Net cash from operating activities	(536,657)	2,874,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,506,038)	(3,894,154)
Proceeds from the sale of investments	3,264,608	2,215,740
Net cash from investing activities	758,570	(1,678,414)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	221,913	1,196,380
Cash, cash equivalents, and restricted cash - beginning of year	2,586,517	1,390,137
Cash, cash equivalents, and restricted cash - end of year	\$ 2,808,430	\$ 2,586,517
Composition of cash, cash equivalents, and restricted cash - end of year		
Cash and cash equivalents	\$ 2,128,083	\$ 2,486,657
Cash and cash equivalents with donor restrictions	680,347	99,860
Total cash, cash equivalents, and restricted cash	\$ 2,808,430	\$ 2,586,517

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

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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 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 on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the FASB Accounting Standards Codification (ASC) as the single source of authoritative GAAP. Updates to the ASC are done through the issuance of Accounting Standards Updates (ASU).

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP. The Organization 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 that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of an organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing charitable purposes and for the promotion of social welfare. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accompanying 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.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2024 and 2023, cash and cash equivalents consisted of the following:

	2024	2023
Checking and savings accounts	\$ 140,818	\$ 140,060
Money market funds	<u>2,667,612</u>	<u>2,446,457</u>
Cash, cash equivalents, and restricted cash	<u>\$ 2,808,430</u>	<u>\$ 2,586,517</u>

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 as of June 30, 2024 and 2023, to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Investments

Investments in marketable debt and equity securities are measured at fair value. Investments, gains and losses are reported as increases and decreases 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 consist of an account at Christian Community Foundations (CCF) which is reported at the fair value provided by CCF.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Foundation is classified by the Internal Revenue Service as a publicly supported organization and is exempt from federal income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from state income taxes. The Foundation has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, no provision for federal or state income tax has been made in these financial statements. Management believes the Foundation does not have any unrelated business income for the years ended June 30, 2024 or 2023.

Uncertain Tax Positions

The Foundation follows the guidance of FASB ASC Subtopic 740-10, *Income Taxes*. Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Foundation's evaluation was performed for tax years ended June 30, 2022 through June 30, 2024, the years that remain subject to examination by major tax jurisdictions as of June 30, 2024.

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.

Revenue Recognition and Contributed Support

The Foundation receives revenue 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.

In-Kind Donations

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. See Note 9 for further information on in-kind donations.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform to the current year presentation.

Functional Allocation of Expenses

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>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

Advertising

Advertising costs are expensed as incurred. Advertising and other promotional expenses totaled \$15,999 and \$14,856 for the years ended June 30, 2024 and 2023, respectively.

NOTE 3 – RISK AND UNCERTAINTIES

Custodial Risk

The Foundation's financial instruments that are exposed to concentrations of custodial risk consist primarily of cash and cash equivalents. The Foundation maintains its cash and cash equivalents at a local financial institution. At times during the year, such balances may exceed the FDIC insurance limit; however, management does not believe it is exposed to any significant custodial risk on cash and cash equivalents.

NOTE 4 – RECEIVABLES

The opening and closing balances of receivables subject to ASC 606 consisted of the following:

	2024	2023	2022
Accounts receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation follows FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and specifies disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2: Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable, are available as of the report date.

Level 3: Inputs into the determination of fair value are not observable as of the report date and significant management judgment or estimation is required.

The investments were managed by Raymond James. As of June 30, 2024 and 2023, investments are composed of:

	Fair Value of Quoted Prices in Active Markets (Level 1)	
	June 30, 2024	June 30, 2023
Mutual Funds:		
Equity funds	\$ 5,069,218	\$ 4,989,874
Fixed income	4,288,994	4,517,117
	<u>\$ 9,358,212</u>	<u>\$ 9,506,991</u>

The Foundation holds a beneficial interest in endowment funds that invests in pooled funds for which quoted prices are not available in active markets for identical instruments. The Foundation utilized 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.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2024 and 2023.

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, 2024 and 2023, consisted of the following:

	2024	2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
CCF balanced pool	\$ <u>84,924</u>	\$ <u>76,065</u>	\$ <u>-</u>	Monthly	None

The preceding methods described may produce fair value calculations 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.

Net investment return consisted of the following for the years ended June 30, 2024 and 2023:

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 277,783	\$ 212,818	\$ 490,601
Unrealized/realized gain on investments	216,107	393,684	609,791
Investment expenses	(21,214)	(44,585)	(65,799)
Net investment return - June 30, 2024	\$ <u>472,676</u>	\$ <u>561,917</u>	\$ <u>1,034,593</u>
June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 209,726	\$ 251,790	\$ 461,516
Unrealized/realized gain on investments	145,126	250,865	395,991
Investment expenses	(23,069)	(40,586)	(63,655)
Net investment return - June 30, 2023	\$ <u>331,783</u>	\$ <u>462,069</u>	\$ <u>793,852</u>

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 6 – AVAILABILITY AND LIQUIDITY

As part of the Foundation's cash management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following represents the Foundation's financial assets as of June 30, 2024 and 2023:

	2024	2023
Financial assets at year-end		
Cash and cash equivalents	\$ 2,808,430	\$ 2,586,517
Pledge and grants receivables	147,848	43,003
Investments	9,358,212	9,506,991
Beneficial interest in endowment	84,924	76,065
Total financial assets	<u>12,399,414</u>	<u>12,212,576</u>
Less amounts not available to be used within one year:		
Board designated endowment funds	(2,285,869)	(2,805,538)
Donor restricted endowment funds	(5,361,273)	(5,158,972)
Net assets with purpose restriction	(4,762,210)	(4,501,793)
Less net assets with purpose restrictions to be released in less than one year	<u>600,000</u>	<u>600,000</u>
Financial assets not available to be used within one year	<u>(11,809,352)</u>	<u>(11,866,303)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 590,062</u>	<u>\$ 346,273</u>

Management makes decisions regarding operations and financial management taking into account that board designated endowment funds (up to \$2,285,869 as of June 30, 2024) can be released into operations by a simple majority vote of the board of directors' executive committee via electronic or in-person voting mechanisms.

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2024 and 2023, net assets with donor restrictions consisted of the following:

	2024	2023
Purpose restricted		
Communal event space renovations	\$ 4,196,525	\$ 4,017,329
Cloud901	214,323	152,811
Enhancing Literacy Education	104,191	54,001
Cossitt	12,968	45,569
Other	70,402	45,489
STEM	34,814	36,357
LINC 211	27,581	33,571
Teen innovation center	10,237	31,447
JobLINC mobile unit	21,847	16,967
Dunbar Abston	16,381	16,381
Discover READ	12,539	12,539
Teen/Tween	14,464	11,314
Explore Memphis summer program	10,875	11,005
Broadcast	10,375	9,375
Civic Imagination Stations	1,113	4,063
Technology	3,352	3,352
Senior living facility outreach	223	223
Total purpose restricted	<u>4,762,210</u>	<u>4,501,793</u>
Time restricted		
Unappropriated endowment earnings	2,770,303	2,576,861
Grants pledged but not received as of year end	-	22,151
Total time restricted	<u>2,770,303</u>	<u>2,599,012</u>
Perpetual in nature	<u>2,590,970</u>	<u>2,582,111</u>
Total net assets with donor restrictions	<u>\$ 10,123,483</u>	<u>\$ 9,682,916</u>

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by the passage of time fulfillment of purpose for the years ended June 30, 2024 and 2023, as follows:

	2024	2023
Releases related to purpose restrictions		
Enhancing Literacy Education	\$ 44,810	\$ 137,167
LINC 211	48,672	48,233
Cossitt	39,602	40,214
Senior living facility outreach	-	27,576
Other	16,433	27,299
Cloud901	12,458	24,971
iPads for seniors	-	12,736
Teen/Tween	-	9,750
Teen innovation center	21,210	-
JobLINC mobile unit	1,247	3,922
Explore Memphis summer program	-	3,900
STEM	-	836
Total releases related to purpose restrictions	<u>184,432</u>	<u>336,604</u>
Releases related to time restrictions		
Appropriated endowment earnings	395,139	190,757
Grants pledged but not received as of year end	<u>22,151</u>	<u>118,621</u>
Total releases related to time restrictions	<u>417,290</u>	<u>309,378</u>
Total net assets released from restrictions	<u>\$ 601,722</u>	<u>\$ 645,982</u>

NOTE 8 – 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.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – ENDOWMENT FUNDS (Continued)

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 expenditures 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:

	<u>Minimum weight</u>	<u>Maximum weight</u>	<u>Target weight</u>
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 is a rolling 5% of the endowment balance at the beginning of each year, whereas funds not used in the year earned can be used in subsequent years.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – ENDOWMENT FUNDS (Continued)

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

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. Transfer to and from quasi-endowment funds are determined by the Board of Directors.

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended June 30, 2024, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,805,538	\$ 5,158,972	\$ 7,964,510
Investment return:			
Interest and dividends	99,904	212,728	312,632
Net appreciation/depreciation	182,941	393,684	576,625
Investment expenses	(21,216)	(44,585)	(65,801)
Total investment return	261,629	561,827	823,456
Change in beneficial interest in endowment	-	8,859	8,859
Contributions	-	26,754	26,754
Appropriation of endowment assets for expenditure	(781,298)	(395,139)	(1,176,437)
Endowment net assets, end of year	\$ 2,285,869	\$ 5,361,273	\$ 7,647,142

Changes in endowment net assets for the year ended June 30, 2023, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,555,532	\$ 4,882,521	\$ 7,438,053
Investment return:			
Interest and dividends	143,296	251,790	395,086
Net appreciation/depreciation	144,317	250,865	395,182
Investment expenses	(23,069)	(40,586)	(63,655)
Total investment return	264,544	462,069	726,613
Change in beneficial interest in endowment	-	5,139	5,139
Contributions	-	5,500	5,500
Appropriation of endowment assets for expenditure	(14,538)	(196,257)	(210,795)
Endowment net assets, end of year	\$ 2,805,538	\$ 5,158,972	\$ 7,964,510

(Continued)

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – ENDOWMENT FUNDS (Continued)

As of June 30, 2024 and 2023, endowment net asset composition by type of fund consisted of the following:

	2024	2023
Donor restricted endowment funds		
Collection	\$ 1,010,500	\$ 1,204,326
Medical	45,144	62,018
Religion	97,704	97,047
Music	1,490,416	1,384,012
Goodwyn program	1,048,629	939,104
Goodwyn collection	1,054,479	944,343
Goodwyn maintenance	98,905	88,575
Memphis room	405,572	363,482
Chuck Neal Library Fund	84,924	76,065
Jack Belz Scholarship Fund	25,000	-
Total donor restricted endowment funds	<u>5,361,273</u>	<u>5,158,972</u>
Board designated quasi endowment funds		
without donor restrictions:		
Broadcast	364,306	326,578
Collection	422,164	485,803
Marsich	<u>1,499,399</u>	<u>1,993,157</u>
Total board designated quasi endowment funds		
without donor restrictions	<u>2,285,869</u>	<u>2,805,538</u>
Total endowment funds	<u>\$ 7,647,142</u>	<u>\$ 7,964,510</u>

NOTE 9 – IN-KIND CONTRIBUTIONS

Donated materials and services for the years ended June 30, 2024 and 2023, consisted of the following:

	2024	2023
Donated office space	\$ 3,500	\$ 3,500
Books and educational supplies	595	2,159
Gift cards	1,500	40
Ticket voucher	720	-
Art and décor	<u>12,163</u>	<u>-</u>
Total donated materials and services	<u>\$ 18,478</u>	<u>\$ 5,699</u>

MEMPHIS LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 10 – CONCENTRATIONS

For the year ended June 30, 2023, the Foundation received 23% of its contributions from one donor. No significant contributions noted for the year ended June 30, 2024.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of financial position date through December 23, 2024, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.