THE JUNIOR LEAGUE OF RICHMOND, VIRGINIA, INC.

Financial Statements

May 31, 2022

The Junior League of Richmond, Virginia, Inc. is an organization of women committed to promoting voluntarism, developing the potential of women, and improving communities through the effective action and leadership of trained volunteers. The League reaches out to women of all races, religions and national origin who demonstrate an interest in, and commitment to, voluntarism.

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Independent Accountant's Review Report

Board of Directors
The Junior League of Richmond, Virginia, Inc.

We have reviewed the accompanying financial statements of The Junior League of Richmond, Virginia, Inc. (a non-profit organization hereafter referred to as the "League" or the "Organization"), which are comprised of the statement of financial position as of May 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements (collectively hereafter the "financial statements"). A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 ("U.S. GAAP"); 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.

Independent Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants ("AICPA"). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are also required to be independent of the Organization and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to our review as promulgated by the AICPA and other regulatory bodies.

Prior Year Financial Statements

The Organization's prior year financial statements were audited by another firm and their opinion dated May 11, 2022 stated those financial statements were, in all material respects, in accordance with U.S. GAAP.

(continued)

Independent Accountant's Review Report (continued)

Independent Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. GAAP.

Steve Wells & Associates, PLLC

Glen Allen, Virginia
August 31, 2022

The Junior League of Richmond, Virginia, Inc.

Statement of Financial Position
May 31, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 1,106,143
Investments - Board designated (Notes 6 and 7)	1,126,075
Accounts receivable	215
Prepaid expenses and other assets	14,912
Inventories	50,448
Total current assets	2,297,793
Endowment (Notes 6 and 7)	928,657
Quasi-Endowment (Notes 6 and 7)	597,212
Property and equipment, net (Note 4)	417,186
Total assets	$ 4,240,848
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 42,438
Deferred revenues	103,221
Total current liabilities	145,659
Net assets	
Without restrictions	2,569,320
With restrictions (Note 6, 7 and 8)	1,525,869
Total net assets	4,095,189
Total liabilities and net assets	$ 4,240,848

See accompanying notes to financial statements.

The Junior League of Richmond, Virginia, Inc.

Statement of Activities and Changes in Net Assets
Year ended May 31, 2022

Change in Net Assets Without Restrictions	
Revenues	
Thrift store sales, net (Notes 2 and 3)	$ 374,400
Contributions	147,396
In-kind contributions (Note 9)	19,367
Membership dues	105,040
Investment return (Note 6)	(179,580)
Other income	371
Rental income - Verizon	7,187
Special events, net (Note 10)	5,748
Net assets released from restrictions (Note 8)	322,172
Total revenues	802,101
Expenses	
Program services	612,017
Management and general	131,972
Fundraising	60,753
Total expenses	804,742
Change in net assets without restrictions	(2,641)
Change in Net Assets With Restrictions	
Net assets released from restrictions (Note 8)	(322,172)
Change in net assets with restrictions	(322,172)
Change in net assets	(324,813)
Net assets, beginning of year	4,420,002
Net assets, end of year	$ 4,095,189

See accompanying notes to financial statements.

The Junior League of Richmond, Virginia, Inc.

Statement of Functional Expenses
Year ended May 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 168,997	$ 52,969	$ 30,268	$ 252,234
Payroll taxes	13,176	4,130	2,360	19,666
Employee benefits (Note 11)	6,528	2,046	1,169	9,743
Total compensation	188,701	59,145	33,797	281,643
Advertising	764	239	137	1,140
Community programs	18,661	-	-	18,661
Depreciation (Note 4)	24,124	7,561	4,321	36,006
Dues to National Affiliate (Note 12)	26,145	5,660	-	31,805
Grants and contributions	188,335	-	-	188,335
Insurance	6,891	2,160	1,234	10,285
Loss on disposal of equipment (Note 4)	25,511	-	-	25,511
Maintenance and repairs	12,528	3,927	2,244	18,699
Merchant account fees	12,332	2,930	76	15,338
Occupancy (Note 5)	84,722	26,555	15,174	126,451
Office operations and program supplies	9,062	2,840	1,623	13,525
Other	11,987	3,757	2,147	17,891
Professional fees	2,254	17,198	-	19,452
Total functional expenses	$ 612,017	$ 131,972	$ 60,753	$ 804,742

See accompanying notes to financial statements.

The Junior League of Richmond, Virginia, Inc.

Statement of Cash Flows
Year ended May 31, 2022

Cash Flows From Operating Activities	
Change in net assets	$ (324,813)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	36,006
Net unrealized losses on investments	310,909
Net realized gains on investments	(85,691)
Reinvested interest and dividends, net	(62,679)
Investment advisory fees	18,296
Decrease in inventories	45,633
Loss on disposal of property and equipment	25,511
(Increase) decrease in operating assets:	
Accounts receivable	4,538
Prepaid expenses and other assets	(5,477)
Increase in operating liabilities:	
Accounts payable and accrued expenses	6,679
Deferred revenues	23,270
Net cash used by operating activities	(7,818)
Cash Flows From Investing Activities	
Purchases of investments	(911,714)
Proceeds from sales of investments	1,113,552
Purchase of equipment	(1,230)
Net cash provided by investing activities	200,608
Increase in cash and cash equivalents	192,790
Cash and cash equivalents, beginning of year	913,353
Cash and cash equivalents, end of year	$ 1,106,143

See accompanying notes to financial statements.

Note 1—Description of the Organization

The Junior League of Richmond, Virginia, Inc. (hereafter "the League" or "the Organization") is a Virginia non-stock corporation founded in 1926. The League is classified as a Section 501(c)(3) non-profit organization pursuant to the regulations of the Internal Revenue Service. The League's purpose is exclusively educational and charitable.

The League is an organization of women committed to promoting voluntarism, developing the potential of women, and improving communities through the effective action and leadership of trained volunteers. The League reaches out to women of all races, religions and national origin who demonstrate an interest in, and commitment to, voluntarism.

Community programs include partnerships with local organizations to conduct volunteer-led programming. Promoting voluntarism includes cultivating a trained volunteer force and developing environments where volunteer efforts thrive. Leadership development includes external and internal training opportunities for volunteer members. Retail programs include a resale thrift store operating as "The Clothes Rack" since 1947. The Clothes Rack operations are made possible through donations of used clothing and household goods from the community at-large. A mobile thrift store, "The Rolling Rack", was developed in fiscal 2021 and became operational in fiscal 2022. The League also sells its own cookbooks and League branded merchandise.

Note 2—Summary of Significant Accounting Policies

Financial statement presentation. The Organization's financial statements are presented under accounting principles generally accepted in the United States of America ("U.S. GAAP") and follow the Financial Accounting Standards Board Accounting Standards Codification ("Codification") Topic 958, *Not-for-Profit Entities* ("Topic 958"). Pursuant to the Codification, the Organization reports its financial position and activities according to two classes of net assets: net assets without restrictions and net assets with restrictions. Restricted contributions whose restrictions are met within the same reporting period as the contributions were received are reported as net assets without donor restrictions in the statements of activities and changes in net assets.

Cash and cash equivalents. The League considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Cash balances held in the Organization's investment portfolio and endowment are excluded from this definition.

Investments. Investments are initially reported at cost, if purchased, or at fair value on date of donation. Thereafter, investments are reported at fair value using Level 1 methodology. Net investment return (loss) is reported in the statement of activities and changes in net assets and consists of interest and dividends, realized gains and losses, unrealized gains and losses less investment management fees.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Note 2—Summary of Significant Accounting Policies (continued)

Inventories. Inventories consist of used clothing and household items and branded cookbooks and other League branded merchandise. The Organization receives contributions of used clothing and household goods (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. U.S. GAAP requires that contributions received be recognized as revenues in the period received and as assets or decreases of liabilities or expenses depending on the form of the benefits received at their estimated fair value.

The Organization believes that the inventory of contributed used clothing and household items does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the Organization's value-added processes that prepare the donated inventory for sale that the donated inventory derives its value. Accordingly, inventory quantities are valued at year-end using a proprietary model developed by management and the difference between year-end inventory valuations is included in the statement of activities and changes in net assets in "Thrift store sales, net".

The inventory of cookbooks and League merchandise is stated at cost, determined by the average cost method.

Property and equipment. Property and equipment are stated at cost, if purchased, or at estimated fair value if donated. The Organization's policy is to capitalize all assets with an original cost or estimated fair value over $500. Depreciation expense is computed on the straight-line method over the useful lives of the assets ranging from three to 40 years. Depreciation expense for the year ended May 31, 2022 was $36,006.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reported in the statement of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Revenue recognition policy. Revenue is measured based on consideration specified in written or implied contracts with donors and customers. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service. The Organization has no contract assets or liabilities to report as of May 31, 2022. Performance obligations are described below:

Performance obligations:

Special events revenue – For performance obligations related to special events revenue, control transfers to the attendee over time. Revenue is recognized over the course of the event.

Membership dues – For performance obligations related to membership dues, control transfers to the member over time. Revenue is recognized over the course of the fiscal year.

Sales – For performance obligations related to sales, control transfers to the customer at point of sale. Accordingly, revenue is recognized at point of sale. The Organization has a two week return policy but returns have historically been insignificant and the corresponding performance obligation has not been measured.

Note 2—Summary of Significant Accounting Policies (continued)

Contributions. The Organization receives pledges from donors for specific program purposes. Generally speaking, the form and content of these pledge agreements do not meet the criteria established by Topic 958 to record these pledge agreements as receivables.

Board contributions: In addition to requisite membership fees, the Organization is the grateful recipient of donations from 100% of its Board members.

Accounts receivable. Accounts receivable at May 31, 2022 consisted of contributions. The League uses the allowance method of accounting for bad debts on accounts and accounts receivable. Management's determination of the allowance for doubtful accounts is based on an evaluation of the obligor, past experience, current economic conditions, and other inherent risks. Receivables are written-off when deemed uncollectible. No allowance was deemed necessary for accounts receivable at May 31, 2022.

Deferred revenues. Deferred revenues represent membership dues received in the current year for the forthcoming fiscal year and rental income paid in advance.

Donated services and in-kind donations. The League receives donations of professional services, publicity, printing services, and other goods. Such amounts are recorded at their estimated fair value determined on the date of contribution and are reported as in-kind contributions in the accompanying statements of activities and changes in net assets. Corresponding expenses are recorded on the statements of functional expenses.

Endowment. The League holds assets accounted for as an endowment representing donor-restricted funds intended for investment in perpetuity that are able to provide annual funding for general operations. The League's Board of Directors has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value on the date of the initial gift, unless there are explicit donor stipulations to the contrary. At May 31, 2022, there were no such donor stipulations. As a result of this interpretation, the League retains in perpetuity (a) the original value of initial and subsequent gift amounts, if any, donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor. Restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA.

Volunteer services. The Organization is the grateful recipient of significant services by hundreds of members and other volunteers who have made invaluable contributions of their time and talent to aid the Organization in its mission. Predominantly, volunteers provide services in the Organization's program services, thrift store operations or as Board or committee members. As the value of such services is not subject to accurate measurement, pursuant to Topic 958, the value of these contributed services is not reflected in the accompanying financial statements.

Advertising costs. Advertising costs are expensed as incurred and reported in the statement of functional expenses based on the nature and purpose of the advertisement. Advertising expense amounted to $1,140 for the fiscal year ended May 31, 2022.

Note 2—Summary of Significant Accounting Policies (continued)

Functional allocation of expenses. For purposes of the statement of functional expenses, direct expenses that are able to be allocated using the specific identification method are reported accordingly. Indirect expenses are allocated using an allocation model based on salary costs. This analysis resulted in an allocation model as follows for the fiscal year ended May 31, 2022:

Program	67%
Management and General	21%
Fundraising	12%

Grants. The League periodically awards grants to various local non-profit organizations that further the League's mission. Grants are recognized in the year that the grant is awarded.

Use of estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 estimates and those differences could be material.

Concentrations of credit risk. The League manages deposit concentration risk by placing excess cash with multiple Federally insured financial institutions. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Management has evaluated its deposit concentrations and does not believe the League is exposed to undue risk of loss.

Note 3—Change in Accounting Policies

Effective June 1, 2021 the Organization adopted two new accounting policies, as follows:

Financial Accounting Standards Board (FASB) Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 provides a five-step analysis of revenue bearing contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance under U.S. GAAP. The Organization adopted ASC 606 using the full retrospective transition method.

Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 clarified existing previous U.S. GAAP to enable non-profit entities to determine whether revenue transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchanges (reciprocal transactions) within the scope of ASC 606. ASU 2018-08 also provided guidance to assist non-profit entities to determine whether a contribution is unconditional or conditional.

The Organization's written and implied revenue bearing contracts do not contain variable consideration and contract modifications are minimal, if any. Revenue is recognized as the performance obligations are satisfied.

Note 3—Change in Accounting Policies (continued)

Performance obligations by the Organization are determined based on an implied contract with its customers. The Organization is obligated to provide inventory items to the customer and the customer is obligated to provide compensation for those inventory items. At the point of sale, the customer understands that they are to remit immediate payment to the Organization in exchange for the customer's selected inventory items. Accordingly, revenue for performance obligations is satisfied at a point in time and is recognized at point of sale.

The Organization is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to retail sales. The Organization accounts for the contracts as a collective group, rather than individual contracts, as payment patterns, returns and other customer characteristics are similar. As a result, the Organization has concluded that revenue would not be materially different than if accounting for revenue on a contract-by-contract basis.

The composition of thrift store sales, net, by fiscal quarter for the fiscal year ended May 31, 2022 was as follows:

Fiscal Quarter Ended	
August 31, 2021	$ 112,755
November 30, 2021	97,531
February 28, 2022	94,375
May 31, 2022	69,739
	$ 374,400

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors (a) availability of supply; (b) international pandemics; (c) competition; and (d) seasonal retail factors.

Based on the Organization's evaluation of its revenue bearing contracts, the timing and amount of revenue recognized in previous years is consistent with how revenue is recognized under ASC 606 and ASU 2018-08. Other than enhanced footnote disclosures, the adoption of ASC 606 and ASU 2018-08 had no impact on the Organization's current or historical financial position, results of activities or cash flows. Additionally, management does not anticipate that the provisions of ASC 606 and ASU 2018-08 will have an impact on the amount or timing of when the Organization recognizes revenue prospectively.

Note 4—Property and Equipment

Property and equipment at May 31, 2022 consisted of the following:

Land	$ 27,437
Building and improvements	482,077
Furniture and equipment	219,120
Vehicle	54,199
Total	782,833
Less: accumulated depreciation	(365,647)
	$ 417,186

For purposes of the statement of cash flows, during the fiscal year ended May 31, 2022, the Organization disposed of furniture and equipment with an original cost and accumulated depreciation of $52,402 and $26,891, respectively.

Note 5—Lease Commitments

The League is obligated under an operating lease for its administrative office space (expiring in October 2023) at $4,426 per month (increasing at 2.5% annually). It is not expected that the lease will be renewed at expiration. Rental expense under this operating lease for the fiscal year ended May 31, 2022 was $53,217 and is reported in the accompanying statement of functional expenses in "Occupancy". Periodically, the League incurs short-term rental expenses for space and/or equipment rentals for special events and meetings.

The League is also obligated under an operating lease for office equipment at $457 per month (plus ancillary usage fees) that expires in September 2025. Rental expense under this operating lease was $5,434 for the fiscal year ended May 31, 2022 and is reported in the accompanying statement of functional expenses in "Office operations and program supplies".

Future minimum lease payments required pursuant to these operating lease agreements are as follows:

Fiscal Years Ending May 31,	Administrative Office Space	Office Equipment
2023	$ 54,545	$ 5,484
2024	23,233	5,484
2025	-	5,484
2026	-	1,828

Note 6—Investments

The Organization's investment portfolio is segregated into three sub-accounts, as follows:

a. Reserve Fund (consisting of an Operating Reserve and a Sustainability Reserve);
b. Endowment Fund (see Note 7); and
c. Quasi-Endowment Fund (see Note 7).

The purpose of the Operating Reserve is to serve as an internal line of credit, over and above cash on hand, for use in unusual circumstances or unforeseen emergencies. The amount of the Operating Reserve is calculated annually upon approval of the upcoming fiscal year operating budget and equals six months of monthly budgeted operating expenses. Remaining funds not designated to the Operating Reserve Fund are designated to the Sustainability Reserve.

The purpose of the Sustainability Reserve is to provide funds for supporting the League's (a) property for major repairs or acquisitions; (b) meeting special program or community opportunities that further the League's mission; and (c) long-term sustainability. No more than twenty-five per cent of the Sustainability Reserve Fund shall be spent on any single endeavor.

The composition of each investment portfolio, at fair value determined by Level 1 criteria, at May 31, 2022 was as follows:

	Reserve Fund	Endowment Fund	Quasi-Endowment Fund	Total
Cash and money market funds	$ 32,579	$ 26,372	$ 18,404	$ 77,355
Exchange traded funds	1,093,496	902,285	578,808	2,574,589
	$ 1,126,075	$ 928,657	$ 597,212	$ 2,651,944

Note 6—Investments (continued)

A summary of the activity in each investment portfolio for the fiscal year ended May 31, 2022 follows:

	Reserve Fund	Endowment Fund	Quasi-Endowment Fund	Total
Beginning of year	$ 1,199,848	$ 1,015,324	$ 832,717	$ 3,047,889
Interest and dividends	24,859	20,770	17,050	62,679
Net realized gains	21,478	18,030	46,183	85,691
Net unrealized losses	(112,867)	(92,641)	(105,401)	(310,909)
Appropriations	-	(26,775)	(188,335)	(215,110)
Investment fees	(7,243)	(6,051)	(5,002)	(18,296)
End of year	$ 1,126,075	$ 928,657	$ 597,212	$ 2,651,944

The components of investment loss for the fiscal year ended May 31, 2022 follows:

	Reserve Fund	Endowment Fund	Quasi-Endowment Fund	Total
Investments:				
Interest and dividends	$ 24,859	$ 20,770	$ 17,050	$ 62,679
Net realized gains	21,478	18,030	46,183	85,691
Net unrealized losses	(112,867)	(92,641)	(105,401)	(310,909)
Investment fees	(7,243)	(6,051)	(5,002)	(18,296)
	$ (73,773)	$ (59,892)	$ (47,170)	(180,835)
Cash and cash equivalents - interest				1,255
				$ (179,580)

Note 7—Endowment Fund and Quasi-Endowment Fund

On December 14, 2017, the Board of Directors voted to establish a formal endowment fund (the "Endowment Fund") comprised of previously existing donor restricted net assets, previously Board designated net assets and an additional $105,000 of newly Board designated assets. The total amount of unrestricted assets initially restricted to the Endowment Fund was $198,183.

The Endowment Fund's underlying assets include previously donor-restricted funds intended for investment in perpetuity and is structured to provide annual funding for general operations. The League's Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor restricted funds, unless there are explicit donor stipulations to the contrary. At May 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the League retains in perpetuity the original value of initial and subsequent gift amounts, if any, donated to the Endowment Fund and (b) any accumulations to the Endowment Fund made in accordance with the direction of the applicable donor. Restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Fund assets are subject to the Organization's Board approved Investment Policy Statement. The League has adopted investment and spending policies for the Endowment that are designed to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the underlying assets. Investment objectives include, but are not limited to:

(a) maximizing investment return within reasonable and prudent levels of risk;
(b) maintaining and growing the real purchasing power of the underlying assets;
(c) seeking an investment return that compares favorably against appropriate and relevant market benchmarks; and
(d) controlling investment management costs.

The League's Investment Committee seeks to balance long-term risk and return for the portfolio by implementing an investment strategy that provides broad, global diversification across asset classes, geographic regions, market capitalizations, and investment styles. The target rate of annual return on the Endowment return is 7%. To satisfy this target rate of annual return, the Endowment's underlying assets are invested using a total return approach, through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The League uses an endowment spending-rate formula each year to determine the maximum amount available to spend from the Endowment. The rate is applied to the average fair value of the underlying assets for the most recent twelve quarters. For the fiscal year ended May 31, 2022, the spending rate was established at a maximum of 4% as stipulated by the Investment Policy Statement. In establishing this spending policy, the League considered the long-term expected return on the Endowment and established the spending rate with the objective of maintaining the purchasing power of the Endowment over time.

Note 7—Endowment Fund and Quasi-Endowment Fund (continued)

In May 2019, the League's Community Impact Strategic Task Force designated $544,000 from the sale of the Mayo Carter House for community purposes and, in March 2021, the Board voted to establish a divestible Board Designated Quasi-Endowment Fund (the "Quasi Endowment Fund").

In May 2023, the Board is scheduled to vote to convert all remaining funds in the Quasi-Endowment Fund to a legally binding community endowment and to permanently restrict the existing principal and to maintain the distribution limitations discussed above. No contributions are accepted to the Quasi-Endowment until conversion to a legally binding community endowment.

The Endowment Fund and the Quasi-Endowment Fund are subject to the League's Investment Policy Statement and are managed by the Investment Committee and an independent investment advisor as authorized and overseen by the Board of Directors.

The League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Other resources of the Organization.

Assets held in the Endowment Fund are subject to the Investment Policy Statement approved by the Board of Directors on March 31, 2017. The League has adopted investment and spending policies for the Endowment Fund that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the underlying assets. Investment objectives include, but are not limited to, maximizing investment return within reasonable and prudent levels of risk; maintaining and growing the real purchasing power of the portfolio; seeking an investment return that compares favorably against appropriate and relevant market benchmarks; and controlling investment management costs. The League's Investment Committee seeks to balance long-term risk and return for the portfolio by implementing an investment strategy that provides broad, global diversification across asset classes, geographic regions, market capitalizations, and investment styles. The target rate of annual return on the Endowment portfolio return is 7%. Actual returns in any given year may vary from this amount. To satisfy this long-term rate of return objective, the investment portfolio is structured on a total return approach, through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Note 7—Endowment Fund and Quasi-Endowment Fund (continued)

The League uses an Endowment spending-rate formula each year to determine the maximum appropriation to spend from the Endowment Fund. The rate is applied to the average fair value of the Endowment assets for the most recent twelve quarters. For the fiscal year ended May 31, 2022, the spending rate was established at a maximum of 4% as stipulated by the Investment Policy Statement. In establishing this spending policy, the League considered the long-term expected return on the Endowment Fund and established the spending rate with the objective of maintaining the purchasing power of the Endowment Fund over time. Assets subject to appropriation for the following fiscal year ending May 31, 2023 are $39,779.

Funds from the Quasi-Endowment Fund may only be appropriated for community projects that fulfill the Organization's "Women Helping Women" community focus and may not be used for operations or overhead.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions as of May 31, 2022 consist of the Organization's Endowment and Quasi-Endowment, as follows:

Endowment Fund	$ 928,657
Quasi-Endowment Fund	597,212
	$ 1,525,869

Net assets were released from donor restrictions as the League incurred direct expenses satisfying the restricted purposes in the amount of $215,110 and investment loss of $107,062.

Note 9—In-Kind Contributions

Donations of in-kind of professional services and goods for the fiscal year ended May 31, 2022 was as follows:

Special events	$ 16,829
Program	2,538
	$ 19,367

Note 10—Special Events

Special events revenue and expenses for the fiscal year ended May 31, 2022 consisted of the following:

	Revenues	Expenses	Net
Book and Author	$ 30,655	$ 35,340	$ (4,685)
Touch-a-Truck	31,217	20,063	11,154
Other	1,705	2,426	(721)
	$ 63,577	$ 57,829	$ 5,748

Revenue amounts reported above for Book and Author do not include donor contributions and sponsorships of $34,914 and in-kind contributions of $11,559; similarly, the revenue amounts reported above for Touch-a-Truck do not include donor contributions and sponsorships of $37,578 and in-kind contributions of $5,270. These amounts are reflected in the accompanying statement of activities and changes in net assets as contributions and in-kind contributions, respectively.

Note 11—Retirement Plan

Through May 31, 2022, the League sponsored a tax-deferred retirement plan qualified under IRC Section 401(k) plan covering all eligible employees. Effective June 1, 2022, the League terminated the 401(k) plan and has formed a SIMPLE IRA plan which will be effective January 1, 2023. Under the terms of the SIMPLE IRA plan, electing employees may contribute annually up to IRS limitations and the League is required to fund an employer match of 3% of participating employees' eligible compensation. For the fiscal year ended May 31, 2022, the League contributed $3,013 to the 401(k) plan.

Note 12—National Affiliate

The League is an autonomous delegate to the Association of Junior Leagues International, Inc. ("AJLI").

The purpose of AJLI is to add value to its member Leagues in their fulfillment of The Junior League Mission. Founded in 1901 by social activism pioneer Mary Harriman, the local junior leagues around the country are charitable non-profit organizations of women functioning as civic leaders making a demonstrable impact on their communities, social reform and other socially critical causes.

During the fiscal year ended May 31, 2022, the League paid AJLI membership dues in the amount of $31,805. AJLI has reported to the League that 85% of such dues are properly classified as program expenses and 15% are properly classified as management and general expenses.

Note 13—Tax Matters

As evidenced by its tax determination letter dated April 26, 2004, the Organization is exempt from Federal income tax under Sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code (the "Code"). The Organization files Form 990, *Return of Organization Exempt from Income Taxes,* and Form 990-T, *Exempt Organization Business Income Tax Return,* on an annual basis.

As a qualifying non-profit organization, the League has been issued a Retail Sales and Use Tax Certificate of Exemption from the Commonwealth of Virginia Department of Taxation. This exemption enables the Organization to purchase qualifying tangible personal property without being subject to Virginia sales and use tax. The Organization is unable to accurately quantify the annual tax savings resulting from this exemption. The exemption was issued in April 2019 and is subject to renewal in April 2024.

With limited exceptions, the Organization's Forms 990 and 990-T are open to examination by the Internal Revenue Service for its 2019 through 2021 tax years. In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that would require adjustment to or disclosure in the accompanying financial statements.

Note 14—Uncertainty

In early 2020, the World Health Organization declared the COVID–19 (Coronavirus) outbreak to be a pandemic. The United States (U.S.) Government's response to the pandemic included significant limitations on many aspects of Americans' daily lives, including personal mobility and closures of many public facilities. These limitations have caused significant disruption to workflow for U.S. companies and also has negatively impacted the financial markets in the U.S. and around the globe.

In late 2020, the international medical community formulated a COVID vaccine and substantial quantities of the vaccine (and subsequent booster shots) have since been distributed throughout the world. The ultimate efficacy of the vaccine and its long-term impacts, if any, are unknown at this time. Leading medical experts generally agreed that the extent of COVID throughout the world would be substantially reduced by Autumn 2022; however, new variants of COVID have been identified in 2022 and have impacted a large number of individuals across the globe.

The Organization is continually monitoring the impact of the pandemic but has not made any adjustments to the accompanying financial statements as a result of COVID-related uncertainties. The Organization will review and adjust planned operations should it be determined the pandemic will significantly impact the Organization's financial position and/or activities.

Note 15—Liquidity, Concentrations and Other Matters

Liquidity. The Organization's budgeted operating expenses for the fiscal year ending May 31, 2023 are $711,213. Financial assets at May 31, 2022 without donor or other restrictions limiting their use and available for general expenditure totaled $1,461,750, as follows:

Cash and cash equivalents	$ 1,106,143
Board designated investments available for operating expenses from Reserve Fund	355,607
	$ 1,461,750

Concentrations. For purposes of disclosure of revenue concentrations, four donors accounted for approximately 26% of total contribution revenue for the fiscal year ended May 31, 2022.

Other Matters. To facilitate incidental and internet-based purchases, the Organization maintains a corporate credit card with a maximum credit line of $10,000. This corporate credit card, which is paid in full each month, had available credit of $3,337 at May 31, 2022.

Note 16—Fair Value Measurements and Disclosures

As discussed in Note 6, the League reports all of its investments pursuant to Level 1 criteria as all investments held consist of exchange traded funds that are traded in an active market. All other financial assets and liabilities of the Organization are short-term in nature and cost is deemed to approximate fair value.

As discussed in Note 4, the Organization owns real property in the City of Richmond, Virginia with a net book value at May 31, 2022 of $299,285. The City of Richmond's property assessment as of January 2022 valued the Organization's real property at $880,000. Due to the methodologies utilized by the city for real estate assessment purposes, this amount may be suggestive (but not necessarily indicative) of fair value determined on an open market.

Note 17—Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through August 31, 2022, the date the financial statements were available to be issued. This evaluation did not identify any matters requiring adjustment to, or disclosure in, the accompanying financial statements.