

# **The Junior League of Richmond, Virginia, Inc.**

## ***Financial Statements***

***Years ended May 31, 2023 and 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.

2605 West Cary Street  
Richmond, VA 23220  
804-643-4886

The Clothes Rack  
2618 West Cary Street  
Richmond, VA 23220  
804-358-4693

[www.jlrichmond.org](http://www.jlrichmond.org)

# **The Junior League of Richmond, Virginia, Inc.**

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# CLARKSON ♦ DAVID, CPA

ACCOUNTING FOR YOUR FUTURE

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

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 comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the fiscal years 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 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 the 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 the 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.

**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.

**Implementation of New Accounting Standard**

As discussed in Note 4, effective June 1, 2022, the Organization implemented the provisions of Accounting Standards Codification 842, *Leases*.

*Clarkson David, CPA, P.C.*

Glen Allen, Virginia  
November 5, 2023



**The Junior League of Richmond, Virginia, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
**Years Ended May 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 367,162	\$ 1,106,143
Investments (Notes 5 and 6)	3,123,157	2,651,944
Accounts receivable	786	215
Prepaid expenses and other assets	22,130	14,912
Inventories	63,285	50,448
<b>Total current assets</b>	3,576,520	3,823,662
Property and equipment, net (Note 3)	502,162	417,186
Operating lease right-of-use assets (Note 4)	35,105	-
<b>Total assets</b>	<u>\$ 4,113,787</u>	<u>\$ 4,240,848</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 103,757	\$ 42,438
Current portion of operating lease liabilities (Note 4)	28,717	-
Deferred revenues	96,106	103,221
<b>Total current liabilities</b>	228,580	145,659
Operating lease liabilities, less current portion (Note 4)	6,745	-
<b>Total liabilities</b>	<u>235,325</u>	<u>145,659</u>
<b>Net Assets</b>		
Without donor restrictions		
Available for general expenditures	2,461,794	2,569,320
Board designated		
Endowment fund	877,420	928,657
Quasi endowment fund	289,248	597,212
JLR centennial fund	150,000	-
Building improvement fund	100,000	-
Total Board designated	1,416,668	1,525,869
<b>Total net assets</b>	3,878,462	4,095,189
<b>Total liabilities and net assets</b>	<u>\$ 4,113,787</u>	<u>\$ 4,240,848</u>

See accompanying notes and independent accountant's review report.

**The Junior League of Richmond, Virginia, Inc.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended May 31, 2023 and 2022**

	Without Donor Restrictions	
	2023	2022
<b>Support and revenue</b>		
Thrift store sales, net (Notes 2 and 7)	\$ 523,496	\$ 374,400
Contributions	119,327	147,396
In-kind contributions (Note 8)	27,021	19,367
Membership dues	105,734	105,040
Investment return (Note 5)	(16,612)	(179,580)
Other income	312	371
Rental income - Verizon	7,187	7,187
Special events, net (Note 9)	24,198	5,748
<b>Total support and revenue</b>	<b>790,663</b>	<b>479,929</b>
<b>Expenses</b>		
Program services	927,388	612,017
Management and general	28,676	131,972
Fundraising	51,326	60,753
<b>Total expenses</b>	<b>1,007,390</b>	<b>804,742</b>
<b>Change in net assets</b>	<b>(216,727)</b>	<b>(324,813)</b>
Net assets, beginning of year	4,095,189	4,420,002
<b>Net assets, end of year</b>	<b>\$ 3,878,462</b>	<b>\$ 4,095,189</b>

See accompanying notes and independent accountant's review report.

# The Junior League of Richmond, Virginia, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2023

	Total	Program Services	Supporting Services	
			Management and General	Fundraising
Salaries and wages	\$ 277,348	\$ 232,263	\$ 15,028	\$ 30,057
Payroll taxes	21,221	17,826	1,061	2,334
Employee benefits (Note 10)	5,182	4,353	259	570
Total salaries and related costs	303,751	254,442	16,348	32,961
Advertising	2,032	1,707	102	223
Community programs	23,578	23,578	-	-
Depreciation (Note 3)	39,122	32,862	1,956	4,304
Dues to National Affiliate (Note 11)	28,128	28,128	-	-
Grants	382,002	382,002	-	-
Insurance	11,467	9,632	573	1,262
Loss on disposal of equipment (Note 3)	2,008	2,008	-	-
Maintenance and repairs	34,008	28,567	1,700	3,741
Merchant account fees	17,040	14,178	2,862	-
Occupancy (Note 4)	102,586	98,483	2,052	2,051
Office operations and program supplies	13,524	11,360	676	1,488
Other	36,523	30,679	1,826	4,018
Professional fees	11,621	9,762	581	1,278
Subtotal	703,639	672,946	12,328	18,365
<b>Total Expenses</b>	<b>\$ 1,007,390</b>	<b>\$ 927,388</b>	<b>\$ 28,676</b>	<b>\$ 51,326</b>

See accompanying notes and independent accountant's review report.

# The Junior League of Richmond, Virginia, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2022

	Total	Program Services	Supporting Services	
			Management and General	Fundraising
Salaries and wages	\$ 252,234	\$ 168,997	\$ 52,969	\$ 30,268
Payroll taxes	19,666	13,176	4,130	2,360
Employee benefits (Note 10)	9,743	6,528	2,046	1,169
Total salaries and related costs	281,643	188,701	59,145	33,797
Advertising	1,140	764	239	137
Community programs	18,661	18,661	-	-
Depreciation (Note 3)	36,006	24,124	7,561	4,321
Dues to National Affiliate (Note 11)	31,805	26,145	5,660	-
Grants	188,335	188,335	-	-
Insurance	10,285	6,891	2,160	1,234
Loss on disposal of equipment (Note 3)	25,511	25,511	-	-
Maintenance and repairs	18,699	12,528	3,927	2,244
Merchant account fees	15,338	12,332	2,930	76
Occupancy (Note 4)	126,451	84,722	26,555	15,174
Office operations and program supplies	13,525	9,062	2,840	1,623
Other	17,891	11,987	3,757	2,147
Professional fees	19,452	2,254	17,198	-
Subtotal	523,099	423,316	72,827	26,956
<b>Total Expenses</b>	<b>\$ 804,742</b>	<b>\$ 612,017</b>	<b>\$ 131,972</b>	<b>\$ 60,753</b>

See accompanying notes and independent accountant's review report.

**The Junior League of Richmond, Virginia, Inc.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended May 31, 2023 and 2022**

	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (216,727)	\$ (324,813)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,122	36,006
Net unrealized losses on investments	223,560	310,909
Net realized gains on investments	(70,980)	(85,691)
Reinvested interest and dividends, net	(76,998)	(62,679)
Investment advisory fees	12,065	18,296
(Increase) decrease in inventories	(12,837)	45,633
Loss on disposal of property and equipment	2,008	25,511
(Increase) decrease in operating assets:		
Accounts receivable	(571)	4,538
Prepaid expenses and other assets	(7,218)	(5,477)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	96,781	6,679
Deferred revenues	(7,115)	23,270
<b>Net cash used by operating activities</b>	<b>(18,910)</b>	<b>(7,818)</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(2,003,756)	(911,714)
Proceeds from sales of investments	1,444,897	1,113,552
Purchases of property and equipment	(161,212)	(1,230)
<b>Net cash provided (used) in investing activities</b>	<b>(720,071)</b>	<b>200,608</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(738,981)</b>	<b>192,790</b>
Cash and cash equivalents, beginning of year	1,106,143	913,353
<b>Cash and cash equivalents, end of year</b>	<b>\$ 367,162</b>	<b>\$ 1,106,143</b>

See accompanying notes and independent accountant's review report.



**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**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 League branded merchandise.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial statement presentation***

The Organization adheres to accounting principles generally accepted in the United States of America (“US. GAAP”) and reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets, support, and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

***Net Assets with Donor Restrictions*** - Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that may or will be met by the passage of time and/or the actions of the League. Other donor-imposed stipulations that will never lapse require the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the League to use all or part of the income earned on related investments for general or specific purposes. The League does not have net assets required to be permanently maintained.

***Net Assets without Donor Restrictions*** - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the board of directors.



**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***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.

***Inventories***

Inventories consist of used clothing and household items 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 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 years ended May 31, 2023 and 2022 was \$39,122 and \$36,006, respectively.

# **The Junior League of Richmond, Virginia, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**May 31, 2023 and 2022**

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### ***Property and equipment - Continued***

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, 2023. Performance obligations are described below:

*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.

#### ***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.

#### ***Accounts receivable***

Accounts receivable at May 31, 2023 and 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, 2023 or 2022.



**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Deferred revenues***

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

***In-kind donated services***

Donated services are recognized in the accompanying financial statements at their fair market value if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by individuals possessing those skills, and the services would typically need to be purchased if not donated. Donated services provided to the Organization in fiscal years 2023 (none in fiscal 2022) that met the criteria included advertising, space rental, and catering services for administrative and special events. The value of the donated services is based upon the fair market hourly value for the services. There were no donor-imposed restrictions associated with the donated services.

***Endowment - Board designated***

The League holds assets accounted for as an endowment representing board designated 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, 2023, 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. Board designated 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 \$2,032 and \$1,140 for the fiscal years ended May 31, 2023 and 2022, respectively.

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Recent Accounting Pronouncements***

Management is unaware of any accounting standards that have been issued or proposed by the Financial Accounting Standards Board or any other standards-setting bodies that are expected to have a material impact on the Company's financial statements.

***Functional allocation of expenses***

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses. This analysis resulted in an allocation model as follows for the fiscal years ended May 31:

	<u>2023</u>	<u>2022</u>
Program	67%	67%
Management and General	21%	21%
Fundraising	12%	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.

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Compensated absences***

Certain employees are entitled to paid personal days off. No liability has been recorded in the accompanying financial statements. If the costs were accrued as earned, it would have an immaterial effect on the financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid.

***Concentration of credit risks***

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 - PROPERTY AND EQUIPMENT**

Property and equipment at May 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 27,437	\$ 27,437
Building and improvements	607,126	482,077
Furniture, fixtures and equipment	184,051	219,120
Vehicles	<u>54,109</u>	<u>54,199</u>
Property and equipment, at cost	872,723	782,833
Less accumulated depreciation	<u>(370,561)</u>	<u>(365,647)</u>
	<u><u>\$ 502,162</u></u>	<u><u>\$ 417,186</u></u>

For purposes of the statement of cash flows, during the fiscal year ended May 31, 2023 and 2022, the Organization disposed of furniture and equipment with an original cost and accumulated depreciation of \$39,121 and \$34,210, respectively.



**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 4 - LEASE COMMITMENTS**

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determined that an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition provisions, which includes among other things: (1) contracts need not be reassessed to determine whether they are or contain leases; (2) all existing leases that were previously classified as operating leases continue to be classified as operating leases; (3) initial direct costs need not be reassessed.

The Organization also elected the following practical expedients contained within the new guidance: (1) the Organization combines all lease and non-lease components; (2) all lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease and are not recorded on the statements of financial position.

The maturities of operating lease liabilities are as follows for the fiscal years ending May 31:

	Amount
2023	\$ 28,717
2024	5,484
2025	1,828
Total	36,029
Less: imputed interest expense	(567)
Present value of lease liabilities	\$ 35,462

As of May 31, 2023, the weighted-average remaining lease term for all operating leases is 2.1 years. The Agency utilizes a treasury risk-free borrowing rate as the discount rate associated with the operating leases which was 3.2%.

Total lease costs included in the accompanying statements of functional expenses in "Office operations and Program Supplies" and "Occupancy" for the fiscal years ended May 31, 2023 and 2022 were \$60,312 and \$58,651, respectively.

Supplemental cash flow information related to leases as of May 31, 2023 follows:

	Amount
Cash paid for amounts included in measurement of operating lease liabilities:	
Operating cash flows related to operating leases	\$ 60,029
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 93,522



**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

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**NOTE 5 - 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 6); and
- c. Quasi-Endowment Fund (see Note 6).

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, 2023 was as follows:

	Reserve Fund	Endowment Fund	Quasi- Endowment fund	Total
Cash and money market funds	\$ 1,617	\$ 1,281	\$ 1,805	\$ 4,703
Exchange traded funds	1,954,872	876,139	287,443	3,118,454
	<u>\$ 1,956,489</u>	<u>\$ 877,420</u>	<u>\$ 289,248</u>	<u>\$ 3,123,157</u>

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
	<u>\$ 1,126,075</u>	<u>\$ 928,657</u>	<u>\$ 597,212</u>	<u>\$ 2,651,944</u>

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

**NOTE 5 - INVESTMENTS - Continued**

A summary of the activity in each investment portfolio for the fiscal year ended May 31, 2023 follows:

	Reserve Fund	Endowment Fund	Quasi-Endowment fund	Total
Beginning of year	\$ 1,126,075	\$ 928,657	\$ 597,212	\$ 2,651,944
Interest and dividends	33,240	26,213	17,545	76,998
Net realized gains (losses)	(26,758)	(23,181)	120,919	70,980
Net unrealized gains (losses)	(4,491)	(15,532)	(132,557)	(152,580)
Deposits	1,103,895	-	32,810	1,136,705
Appropriations	(269,150)	(33,673)	(346,002)	(648,825)
Investment fees	(6,322)	(5,064)	(679)	(12,065)
End of year	<u>\$ 1,956,489</u>	<u>\$ 877,420</u>	<u>\$ 289,248</u>	<u>\$ 3,123,157</u>

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	<u>1,126,075</u>	<u>928,657</u>	<u>597,212</u>	<u>2,651,944</u>

The components of investment loss for the fiscal year ended May 31, 2023 follows:

	Reserve Fund	Endowment Fund	Quasi-Endowment fund	Total
Investments				
Interest and dividends	33,240	26,213	17,545	76,998
Net realized gains (losses)	(26,758)	(23,181)	120,919	70,980
Net unrealized losses	(4,491)	(15,532)	(132,557)	(152,580)
Investment fees	(6,322)	(5,064)	(679)	(12,065)
	<u>(4,331)</u>	<u>(17,564)</u>	<u>5,228</u>	<u>(16,667)</u>
Cash and cash equivalents - Interest				55
				<u>\$ (16,612)</u>

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - ENDOWMENT FUND AND QUASI-ENDOWMENT FUND**

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

	<u>Reserve Fund</u>	<u>Endowment Fund</u>	<u>Quasi- Endowment fund</u>	<u>Total</u>
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)
	<u>\$ (73,773)</u>	<u>\$ (59,892)</u>	<u>\$ (47,170)</u>	(180,835)
Cash and cash equivalents - Interest				1,255
				<u>\$ (179,580)</u>

On December 14, 2017, the Board of Directors voted to establish an endowment fund (the “Endowment Fund”).

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, 2023 and 2022, 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 Junior League of Richmond, Virginia, Inc.**  
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**NOTE 6 - ENDOWMENT FUND AND QUASI-ENDOWMENT FUND - Continued**

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 years ended May 31, 2023 and 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. Assets subject to appropriation for the following fiscal years ending May 31, 2023 and 2022 are \$37,055 and \$35,102, respectively.

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").

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

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - ENDOWMENT FUND AND QUASI-ENDOWMENT FUND - Continued**

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).

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 7 - THRIFT SHOP SALES**

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 years ended May 31, 2023 and 2022 was as follows:

	2023	2022
August 31	\$ 114,048	\$ 112,755
November 30	140,247	97,531
February 28	137,211	94,375
May 31	131,990	69,739
	<u>\$ 523,496</u>	<u>\$ 374,400</u>

**NOTE 8 - IN-KIND CONTRIBUTIONS**

Donations of in-kind services and goods for the fiscal years ended May 31, 2023 and 2022 were as follows:

	2023	2022
Special events	\$ 3,450	\$ 16,829
Program	36,744	2,538
	<u>\$ 40,194</u>	<u>\$ 19,367</u>

**The Junior League of Richmond, Virginia, Inc.**  
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**NOTE 9 - SPECIAL EVENTS**

Special events revenue and expenses for the fiscal year ended May 31, 2023 consisted of the following:

	Revenues	Expenses	Net
Book and Author	\$ 33,888	\$ 47,624	\$ (13,736)
Touch-a-Truck	54,289	16,355	37,934
	<u>\$ 88,177</u>	<u>\$ 63,979</u>	<u>\$ 24,198</u>

Special events 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.

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)
	<u>\$ 63,577</u>	<u>\$ 57,829</u>	<u>\$ 5,748</u>

Special events revenue amounts reported above for Book and Author do not include donor contributions and sponsorships of \$31,500 and in-kind contributions of \$15,984; similarly, the revenue amounts reported above for Touch-a-Truck do not include donor contributions and sponsorships of \$31,100 and in-kind contributions of \$6,823. These amounts are reflected in the accompanying statement of activities and changes in net assets as contributions and in-kind contributions, respectively.

**NOTE 10 - RETIREMENT PLAN**

The League adopted a SIMPLE IRA retirement plan effective January 1, 2023. Under the terms of the plan, electing employees may contribute annually up to IRS limitations and the League is required to match 3% of participating employees' eligible compensation. For the fiscal year ended May 31, 2023, the League contributed \$1,281 to the retirement plan.



**The Junior League of Richmond, Virginia, Inc.**  
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**NOTE 11 - 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 years ended May 31, 2023 and 2022, the League paid AJLI membership dues in the amount of \$28,128 and \$31,805, respectively. AJLI has reported to the League that 85% of such dues are classified as program expenses and 15% are properly classified as management and general expenses in the accompanying financial statements.

**NOTE 12 - 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 2020 through 2022 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 13 - LIQUIDITY**

The following reflects the Organization's financial assets as of May 31, 2023 and 2022, respectively reduced by amounts not available for general use within one year of the statement of financial position date.

**The Junior League of Richmond, Virginia, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 - LIQUIDITY - Continued**

	2023	2022
Cash and cash equivalents	\$ 367,162	\$ 1,106,143
Investments (Notes 5 and 6)	3,123,157	2,651,944
Accounts receivable	786	215
Financial assets available to meet general expenditures within one year	<u>3,491,105</u>	<u>\$ 3,758,302</u>

The Organization's 2022 operating expenditures are budgeted in the amount of approximately \$677,096. Management believes it has sufficient liquidity to meet the Organization's operating needs for the upcoming calendar year.

**NOTE 14 - COMMITMENTS**

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 \$8,766 at May 31, 2023.

**NOTE 15 - FAIR VALUE MEASUREMENTS**

As discussed in Note 5, 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, 2023 and 2022 of \$378,248 and \$299,285, respectively. The City of Richmond's property assessment as of January 2023 valued the Organization's real property at \$930,000. 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 16 - UNCERTAINTY**

In May 2023, the World Health Organization and the U.S. Department of Health and Human Services declared an end to the global public health emergency for COVID. However, COVID remains a public health threat with in excess of 500,000 new cases confirmed weekly throughout the world.

# **The Junior League of Richmond, Virginia, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**May 31, 2023 and 2022**

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### **NOTE 16 - UNCERTAINTY - Continued**

The Organization is continually monitoring the potential 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 17 - SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2023, 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.