

JEFFERSON COUNTY LIBRARY FOUNDATION

Financial Statements As Of December 31, 2019
(With Summarized Financial Information For
The Year Ended December 31, 2018)

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson County Library Foundation:

We have audited the accompanying financial statements of Jefferson County Library Foundation, (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, 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.

Reporting on Summarized Comparative Information

We have previously audited the Foundation's December 31, 2018, financial statement, and we expressed an unmodified opinion on those audited financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

JDS Professional Group

July 28, 2020

JEFFERSON COUNTY LIBRARY FOUNDATION

Statement Of Financial Position

As Of December 31, 2019

(With Summarized Financial Information For The Year Ended December 31, 2018)

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ASSETS		<u>2019</u>	<u>2018</u>
Assets:			
Cash and cash equivalents	\$	214,950	\$ 247,827
Accounts receivable		10,962	3,667
Unconditional promises to give		1,913	16,985
Inventory		906	3,073
Prepaid expenses		3,683	3,222
Beneficial interest in assets held by Community First Foundation		<u>659,146</u>	<u>564,964</u>
TOTAL ASSETS		<u><u>\$ 891,560</u></u>	<u><u>\$ 839,738</u></u>
 LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$	16,514	\$ 21,842
Accrued liabilities		<u>19,721</u>	<u>14,429</u>
Total Liabilities		<u>36,235</u>	<u>36,271</u>
Net Assets:			
Without donor restrictions -			
Undesignated		119,266	216,523
Designated for operating reserve		<u>75,000</u>	
Total Without Donor Restrictions		<u>194,266</u>	<u>216,523</u>
With donor restrictions		<u>661,059</u>	<u>586,944</u>
Total Net Assets		<u>855,325</u>	<u>803,467</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 891,560</u></u>	<u><u>\$ 839,738</u></u>

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

JEFFERSON COUNTY LIBRARY FOUNDATION

Statement Of Activities

For The Year Ended December 31, 2019

(With Summarized Information For The Year Ended December 31, 2018)

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	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support And Revenue:				
Contributions	\$ 16,842	\$ 153,029	\$ 169,871	\$ 183,404
In-kind contributions	86,716		86,716	93,605
Special events	\$ 7,943			
Less: Direct benefit to donor	<u>24</u>	7,919	7,919	13,597
Used book sales	286,925		286,925	274,985
Gift shop sales, net of cost goods sold of \$3,773	20,741		20,741	31,086
Investment income, net	(4,416)		(4,416)	(50,775)
Miscellaneous income				381
Change in value in beneficial interest		94,182	94,182	15,674
Net assets released from restriction:				
Satisfaction of program restriction	<u>173,096</u>	<u>(173,096)</u>		
Total Support and Revenue	<u>587,823</u>	<u>74,115</u>	<u>661,938</u>	<u>561,957</u>
Expenses:				
Program services -				
Literacy and reading	400,611		400,611	366,524
Volunteer Support	<u>34,906</u>		<u>34,906</u>	<u>18,205</u>
Total Program Services	<u>435,517</u>		<u>435,517</u>	<u>384,729</u>
Supporting services -				
General and administration	115,185		115,185	96,156
Fundraising	<u>59,378</u>		<u>59,378</u>	<u>104,290</u>
Total Supporting Services	<u>174,563</u>		<u>174,563</u>	<u>200,446</u>
Total Expenses	<u>610,080</u>		<u>610,080</u>	<u>585,175</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(22,257)	74,115	51,858	(23,218)
Net Assets, Beginning Of Year	<u>216,523</u>	<u>586,944</u>	<u>803,467</u>	<u>826,685</u>
NET ASSETS, END OF YEAR	<u>\$ 194,266</u>	<u>\$ 661,059</u>	<u>\$ 855,325</u>	<u>\$ 803,467</u>

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

JEFFERSON COUNTY LIBRARY FOUNDATION

Statement Of Functional Expenses

For The Year Ended December 31, 2019

(With Summarized Financial Information For The Year Ended December 31, 2018)

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	Program Services			Supporting Services			
	Literacy and Reading	Volunteer Support	Program Services	Administrative	Fundraising	Supporting Services	Total
Salaries	\$ 67,095	\$ 12,790	\$ 79,885	\$ 32,115	\$ 36,965	\$ 69,080	\$ 148,965
Payroll taxes/benefits	17,002	2,950	19,952	6,918	8,753	15,671	35,623
Accounting				12,965		12,965	12,965
Bank service charges				7,830		7,830	7,830
Book for Library Programs	50		50				50
Contract labor	13,059	2,054	15,113	21,394	1,347	22,741	37,854
Dues and subscriptions	3,209		3,209	1,910	1,341	3,251	6,460
Events & meetings - supplies	9,573	1,729	11,302				11,302
Events & meetings - food/catering	6,734	4,917	11,651			-	11,651
Marketing	10,667		10,667		71	71	10,738
Miscellaneous	8,460	2,865	11,325	11,348	964	12,312	23,637
Office supplies	4,771	826	5,597	3,398	316	3,714	9,311
Library grants:							
Traveling Children's Library	760		760				760
Summer Reading Club	83,636		83,636				83,636
Other library programs and enhancements	112,349		112,349				112,349
Printing	2,297	820	3,117	161	1,595	1,756	4,873
Volunteer recognition	548	111	659			-	659
In-kind services & facilities	58,881	5,663	64,544	14,384	7,788	22,172	86,716
Travel	1,520	181	1,701	17	238	255	1,956
Software programs & support			-	2,745		2,745	2,745
Total Expenses	\$ 400,611	\$ 34,906	\$ 435,517	\$ 115,185	\$ 59,378	\$ 174,563	\$ 610,080
							\$ 585,175

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

JEFFERSON COUNTY LIBRARY FOUNDATION

Statement Of Cash Flows

For The Year Ended December 31, 2019

(With Summarized Financial Information For The Year Ended December 31, 2018)

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	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 51,858	\$ (23,218)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in value of beneficial interest	(94,182)	(15,674)
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	(7,295)	4,054
(Increase) decrease in unconditional promises to give	15,072	(7,625)
(Increase) decrease in inventory	2,167	(1,655)
(Increase) in prepaid expenses	(461)	(2,089)
(Decrease) in accounts payable	(5,328)	(3,901)
Increase in accrued liabilities	<u>5,292</u>	<u>1,779</u>
Net cash (used in) operating activities	<u>(32,877)</u>	<u>(48,329)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,877)	(48,329)
Cash And Cash Equivalents, Beginning Of Year	<u>247,827</u>	<u>296,156</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 214,950</u>	<u>\$ 247,827</u>

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

JEFFERSON COUNTY LIBRARY FOUNDATION

Notes To Financial Statements
For The Years Ended December 31, 2019

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(1) **Nature Of The Organization**

Jefferson County Library Foundation (the "Foundation") is a separately incorporated public foundation whose new board candidates are elected to the Board of Directors through majority vote at a regular Board of Directors meeting represented by a quorum. The Board of Directors includes the Executive Director of the Jefferson County Public Library; the Chairperson of the Friends Council and at least one of the Board of Trustees of the Library. The Foundation shall have between seven and fifteen board members. The Foundation provides aid, assistance and financial support to the Jefferson County Public Library (the "Library"). The Foundation's two major programs are Literacy and Reading, which benefits the community through literacy and other various programs, and Volunteer Support, which provides oversight and recognition of the Friends of the Jefferson County Public Library membership group and other volunteers that assist with the Foundation's programs. The majority of the Foundation's revenue is derived from used book sales and contributions.

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Measure Of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Foundation's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Foundation is required to report information regarding financial position and activities according to the following net asset classifications:

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 the Foundation. These net assets may be used at the discretion of the Foundation'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 Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 support and revenues and expenses during the reported period. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation follows fair value measurements which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interest In Endowment Fund: Valued as reported by the Foundation holding the endowment fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Cash And Cash Equivalents

For purpose of the statement of cash flows, cash and cash equivalents consists of demand deposits and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable

The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. Management believes receivable balances are collectible and, therefore, no allowance for doubtful accounts is recorded. Management's policy for charging off uncollectible receivables is when future receipts is deemed improbable.

Inventory

Inventory is reflected at the lower of cost or net realizable value and consisted of gift shop items.

Property And Equipment

Property and equipment are recorded at acquisition cost, or fair market value at the date of donation. Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments in excess of \$500 are capitalized.

Revenue And Revenue Recognition

The Foundation recognizes revenue from sales of books and from the gift shop as items are sold. Special events revenues are recognized as the events are held. Sponsorships are recognized as a contribution as the Foundation does not provide any material benefits to the sponsors.

The Foundation recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of the December 31, 2019, all unconditional promises to give are due within one year. Management expects that all promises to give will be fully collectible, accordingly, there is no allowance for uncollectible promises to give.

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 statements of activities.

Certain donated services, goods, and facilities that meet the criteria for recognition, are reflected in the financial statements at their estimated fair market value at the time of the donation.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes/benefits, and in-kind from the library which are allocated on the basis of estimates of time and effort.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Adoption Of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers: Topic 606*, to supercede nearly all existing revenue recognition guidance relative to exchange transactions under U.S. GAAP. The Foundation adopted the provisions of this guidance on January 1, 2019 using the modified retrospective approach and applied the standard to contracts as of the date of adoption. The adoption did not have a material impact on the Foundation's revenue recognition.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities -Revenue Recognition*, which exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarified how entities determine whether a contribution is conditional or unconditional. The Foundation adopted the provisions of this guidance on January 1, 2019, using the prospective approach. The adoption did not have a material impact on the Foundation's revenue recognition.

Subsequent Events

The Foundation has performed an evaluation of subsequent events through July 28, 2020, which is the date the financial statements were made available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

During March 2020 and continuing through the opinion date, the global community has been under a significant threat from coronavirus ("COVID-19"). The Foundation cannot reasonably determine at this time the full impact this will have on operating results. The investment and credit markets have also experienced significant volatility. As a result, a substantial portion of the Foundation's investments have experienced significant declines. Additionally, the Foundation was able to obtain a C.A.R.E.S. Act Paycheck Protection Program loan in the amount of \$36,000. The amount of the loan, if any, that will be forgivable has not been determined yet. The interest rate is 1% per year maturing in 2025. The Foundation also received a Small Business Administration Economic Injury Disaster Loan in the amount of \$150,000. Payments of \$641 per month begin June 28, 2021 and continue for 30 years. The loan has an annual interest rate of 2.75%.

(3) Tax Exempt Status

The Foundation has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code as a public foundation. As such, donors are entitled to a charitable deduction for their contribution to the Foundation. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Foundation follows the Accounting for Uncertainty in Income Taxes accounting standard which requires the Foundation to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has knowledge of all relevant information. During the year ended December 31, 2019, the Foundation's management

evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Foundation is no longer subject to U.S. federal income tax audits on its Form 990 by taxing authorities for years ending prior to December 31, 2016. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions and tax credits. Although the outcome of tax audits is uncertain, the Foundation believes no issues would arise.

(4) **Investments And Concentration Of Credit Risk**

Concentration of Credit Risk

The Foundation's cash demand deposits and certificates of deposit are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2019, the Foundation's cash demand deposits did not exceed the FDIC's insurance limit.

Investments

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 3</u>
Beneficial interest in assets held by Community First Foundation	<u>\$ 659,146</u>

The changes in the investments for which the Foundation has used Level 3 inputs to determine the fair values are as follows:

Balance, January 1, 2019	\$ 564,964
Contributions	6,100
Distributions	(760)
Investment income, net	88,842
Balance, December 31, 2019	<u>\$ 659,146</u>

For the year ended December 31, 2019, substantially all investment income was derived from a distribution from the Community First Foundation Endowments. Level 3 investments consist of the Foundation's beneficial interest in Community First Foundation. The fair value is based on the value of the Foundation's portion of the underlying investments in the beneficial interest using valuation methods that are appropriate for those investments as determined by the Community First Foundation.

Quantitative information related to valuation inputs is not available since the value of which provided by Community First Foundation was used without adjustment. On an annual basis, Foundation's management evaluates the return received from the beneficial interest against the value of its portion of the beneficial interest for reasonableness as compared with current market returns. Management believes that the sensitivity in the fair value measurement of the beneficial interest is related to market fluctuations, as the investments held in the beneficial interest are primarily marketable securities.

(5) **Beneficial Interest In Assets Held By Community First Foundation Endowment Fund**

During 2004, the Foundation entered into a challenge grant with the Community First Foundation Endowment Fund, to establish an endowment fund to be held in perpetuity (the "Fund"), to be held by the Community First Foundation; the challenge period expired July 29, 2005. The challenge grant provided for a dollar for dollar match during the challenge period. The Foundation granted variance power to the Fund which allows the Fund to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified Foundation if, in the sole judgment of Community First Foundation's Board of Directors such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Foundation. The transfer was not considered to be a contribution from the Foundation to the Fund, but rather was accounted for as reciprocal transfer between the Foundation and the Fund. Therefore, the transfers are reflected collectively in the Statement of Financial Position as Beneficial interest in assets held by Community First Foundation Endowment Fund.

The Fund is held and invested by Community First Foundation for the benefit of the Foundation. If, as of the last day of the preceding year, the fair market value of the Fund was less than the Endowment Goal, the Foundation can receive distributions of the lesser of five percent of the monthly average fair market value of the Fund during the year. If as of the last day of the preceding year, the Fund was equal to or greater than the Endowment Goal, the Foundation can receive distributions to the extent that the fair market value of the Fund does not fall below the Endowment Goal. The endowment fund agreement defines the Endowment Goal as \$400,000. Excess earnings, if any, are reinvested in the Fund. However, the Foundation will never receive the assets held by the Fund. During the year ended December 31, 2010, the JC Graham endowment fund was transferred to the Community First Foundation. As of December 31, 2019, the fair value of the assets of the Funds were \$659,146. During 2019, the Foundation's distributions from the Funds are as follows:

Community First Foundation Endowment	\$	0
JC Graham Endowment		760
	\$	<u>760</u>

(6) **Endowment****General**

The Foundations endowments are held with the Community First Foundation, as discussed in Note 5.

Interpretation Of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Foundation has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

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 fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) investment policies of the Foundation.

Changes In Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	<u>With Donor Restrictions</u>
Balance, January 1, 2019	\$ 564,964
Investment income, net	88,842
Contributions	6,100
Distributions	(760)
Balance, December 31, 2019	<u>\$ 659,146</u>

Underwater Funds

As of December 31, 2019, no funds were underwater.

Return Objectives And Risk Parameters

The Foundation follows the investment and spending policies adopted by Community First Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Strategies Employed For Achieving Objectives

To satisfy its long-term objectives for Community First Foundation Endowment, the Foundation relies on the Community First Foundation investment policy and strategy, as discussed in Note 5.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Foundation can receive annual distributions of the lessor of five percent of the monthly average balance of the Community First Endowment Fund during the preceding year, or the net investment income of the Fund, reduced by fees and investment management expense, as discussed in Note 5. During the year ended December 31, 2019, the spending policy was followed.

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2019:

Subject to Passage of Time:

Time restrictions	\$ 1,913
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Subject to Spending Policy and Appropriation:

Investment in perpetuity -	
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Beneficial interest in Community First Foundation	659,146
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	<u>\$ 661,059</u>
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(8) **Liquidity and Availability of Financial Assets**

The following represents the Foundation's financial assets at December 31, 2019:

Financial assets, at year-end	
Cash and cash equivalents	\$ 214,950
Accounts receivable	10,962
Unconditional promises to give	1,913
Total financial assets	<u>227,825</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(75,000)</u>
Financial assets available to meet cash needs for	
general expenditures within one year	<u>\$ 152,825</u>

The Foundation's goal is generally to maintain financial assets to meet 3 months of operating expenses (approximately \$75,000). Excess cash is deposited into a liquid asset account with the bank that earns a higher rate of interest. Additionally, the Foundation maintains a general endowment fund with Community First Foundation. The value at December 31, 2019, was \$659,146. Additionally, the Foundation has the option of taking a 5% distribution annually.

(9) **Donated Services**

Some individuals volunteer their time and perform a variety of tasks that assist the Foundation. Amounts applicable to these donated services are not reflected in the accompanying financial statements because the volunteers' time does not meet the criteria for recognition in the financial statements. These donated services for the year ended December 31, 2019, were \$257,549. During the year ended December 31, 2019, the Foundation received \$41,440 of donated services meeting the criteria for recognition in the financial statements. These services are reflected in the expense functions on the Statement of Activities as follows:

Literacy and Reading	\$ 18,100
Volunteer Support	3,315
Administrative	8,768
Fundraising	11,257
	<u>\$ 41,440</u>

(10) Book Donations

The Foundation receives donations of used books throughout the year. These books are then sold to the public at two annual book sales, internal library sales, holiday sales, pop up sales, and online sales. Used book sales for the year ending December 31, 2019, were \$286,925.

(11) Expenses

Expenses were incurred for the following for the year ended December 31, 2019:

Expenses reported by function	\$ 610,080
Direct benefit to donor	24
Cost of goods sold	3,773
	<u>\$ 613,877</u>

(12) Related Party Transactions

During the year ended December 31, 2019, the Foundation granted \$196,795 to the Library. Such grants included funding the Traveling Children's Library, purchasing books for the Summer Reading Club programs and other Library program costs. As of December 31, 2019, \$250 was payable to the Library and is included in accounts payable.

During the year ended December 31, 2019, the Foundation reported total expenses of \$610,080, of which \$79,990 consisted of in-kind contributions provided to the Foundation from the Library. This in-kind was for facilities, goods and services. The Library provides office space for the Foundation as well as space in one of the libraries for the Gift Shop. Additionally, it is very common for the supported organizations, such as the Library, to provide in-kind contributions such as rent, information technology, human resources, and other program services to the related foundation. Total expenses for the year ended December 31, 2019, excluding the Library's in-kind amounted to \$530,090. Such amount is considered the support the Foundation provided back to the Library as the Foundation's entire mission is to provide aid, assistance and financial support to the Library. For the year ended December 31, 2019, the Foundation also received support from volunteers that was valued at \$257,549. Such amount was the result of 10,128 donated hours and was valued using the hourly rate of \$25.43 provided by Independent Sector. Accordingly, total support the Foundation provided the Library during 2019 was \$787,639. In summary, the support the Foundation provided the Library was nearly ten times the in-kind that the Library provided the Foundation.