

JEFFERSON COUNTY LIBRARY FOUNDATION

Financial Statements As Of December 31, 2023
(With Summarized Financial Information For
The Year Ended December 31, 2022)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson County Library Foundation:

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditors' Report (Continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

Independent Auditors' Report (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Reporting on Summarized Comparative Information

We have previously audited the Foundation's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

JDS Professional Group

October 29, 2024

JEFFERSON COUNTY LIBRARY FOUNDATION

Statement Of Financial Position

As Of December 31, 2023

(With Summarized Financial Information For The Year Ended December 31, 2022)

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ASSETS	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 357,793	\$ 293,871
Accounts receivable		35,632
Unconditional promises to give	19,692	11,268
Inventory	6,569	4,687
Prepaid expenses	6,594	9,592
Beneficial interest in assets held by Rose Community Foundation	53,778	50,450
Beneficial interest in assets held by Community First Foundation	624,322	589,711
Right-of-use assets, net of accumulated amortization of \$51,748	<u>19,687</u>	<u>45,694</u>
TOTAL ASSETS	<u>\$1,088,435</u>	<u>\$ 1,040,905</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 15,280	\$ 23,076
Accrued liabilities	192,603	37,092
Accrued interest payable		34
Refundable advance	755	755
Loan payable	144,392	148,069
Lease liability	<u>20,220</u>	<u>46,346</u>
Total Liabilities	<u>373,250</u>	<u>255,372</u>
Net Assets:		
Without donor restrictions -		
Undesignated	17,393	59,104
Designated for operating reserve		<u>75,000</u>
Total Without Donor Restrictions	<u>17,393</u>	<u>134,104</u>
With donor restrictions	<u>697,792</u>	<u>651,429</u>
Total Net Assets	<u>715,185</u>	<u>785,533</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,088,435</u>	<u>\$ 1,040,905</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, 2023

(With Summarized Information For The Year Ended December 31, 2022)

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	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2023 <u>Total</u>	2022 <u>Total</u>
Support And Revenue:				
Contributions	\$ 144,547	\$ 19,692	\$ 164,239	\$ 181,118
Contributions of nonfinancial assets	95,786		95,786	91,085
Special events	6,121		6,121	12,216
Used book sales	241,246		241,246	227,845
Gift shop sales, net of cost goods sold of \$9,857	149,669		149,669	149,454
Miscellaneous revenue	1,534		1,534	298
Investment income, net	34,979		34,979	36,941
Change in value in beneficial interest		37,939	37,939	(173,093)
Net assets released from restriction - Satisfaction of program restriction	11,268	(11,268)		
Total Support and Revenue	<u>685,150</u>	<u>46,363</u>	<u>731,513</u>	<u>525,864</u>
Expenses:				
Program Services -				
Literacy and reading	482,327		482,327	434,178
Volunteer Support	40,311		40,311	44,810
Total Program Services	<u>522,638</u>		<u>522,638</u>	<u>478,988</u>
Supporting Services -				
General and administration	179,868		179,868	152,788
Fundraising	99,355		99,355	83,749
Total Supporting Services	<u>279,223</u>		<u>279,223</u>	<u>236,537</u>
Total Expenses	<u>801,861</u>		<u>801,861</u>	<u>715,525</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(116,711)	46,363	(70,348)	(189,661)
Net Assets, Beginning Of Year	134,104	651,429	785,533	975,194
NET ASSETS, END OF YEAR	<u>\$ 17,393</u>	<u>\$ 697,792</u>	<u>\$ 715,185</u>	<u>\$ 785,533</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, 2023

(With Summarized Financial Information For The Year Ended December 31, 2022)

	Program Services			Supporting Services			2022 Total
	Literacy and Reading	Volunteer Support	Program Services	General and Administration	Fundraising	Supporting Services	
Salaries	\$ 113,483	\$ 17,207	\$ 130,690	\$ 38,740	\$ 56,279	\$ 95,019	\$ 206,762
Payroll taxes/benefits	23,646	4,671	28,317	12,126	10,636	22,762	48,160
Accounting	7,165	102	7,267	406	10	21,980	10,338
Bank service charges	36,849	4,373	41,222	28,902	940	416	9,296
Contract labor	1,985		1,985	7,764	324	29,842	54,719
Dues and subscriptions	17,706	177	17,883	28	613	8,088	10,092
Events & meetings - supplies	2,983	405	3,388	559	11	641	20,399
Events & meetings - food/catering	12,667	1,921	14,588	4,324	6,282	570	3,504
Information technology	33,262	5,544	38,806	11,087	5,544	10,606	11,922
In-kind facilities	33,289	393	33,682	5,434	1,233	16,631	50,160
In-kind services				3,981		6,667	40,925
Interest						3,981	3,919
Marketing	4,634		4,634	889	584	1,473	7,475
Miscellaneous	6,258	2,658	8,916	15,935	1,650	17,585	26,775
Office supplies	12,231	506	12,737	7,115	190	7,305	12,525
Library grants:							
Summer Reading Club	50,266		50,266				47,595
Early Literacy Programming	24,250		24,250				20,500
Books, materials and technology for Library Programs							10,000
Other library programs & enhancements	31,292		31,292				22,328
Printing	2,454	1,723	4,177	3,999	1,138	5,137	9,931
Rent	64,180	365	64,545	10,703	13,641	24,344	71,975
Telephone	437	66	503	149	217	366	13,055
Travel	3,290	200	3,490	1,196	63	1,259	4,749
Software programs & support				4,551		4,551	3,170
Total Expenses	\$ 482,327	\$ 40,311	\$ 522,638	\$ 179,868	\$ 99,355	\$ 279,223	\$ 715,525

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, 2023

(With Summarized Financial Information For The Year Ended December 31, 2022)

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	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ (70,348)	\$ (189,661)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities -		
Amortization of right-of-use assets	26,007	25,740
Change in value of beneficial interest	(37,939)	173,093
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	35,631	(29,010)
(Increase) decrease in unconditional promises to give	(8,424)	1,888
(Increase) in inventory	(1,881)	(1,162)
Decrease in prepaid expenses	2,998	5,601
(Decrease) in accounts payable	(7,795)	(51,594)
Increase in accrued liabilities	155,511	9,712
(Decrease) in accrued interest payable	(34)	(1,842)
(Decrease) in refundable advance		(2,140)
(Decrease) in lease liability	(26,127)	(25,088)
Net cash provided by (used in) operating activities	<u>67,599</u>	<u>(84,463)</u>
Cash flows from financing activities:		
Payments on loan payable	<u>(3,677)</u>	<u>(1,930)</u>
Net cash (used in) financing activities	<u>(3,677)</u>	<u>(1,930)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,922	(86,393)
Cash And Cash Equivalents, Beginning Of Year	<u>293,871</u>	<u>380,264</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 357,793</u>	<u>\$ 293,871</u>

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

(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.

Basis Of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

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 revenues and expenses during the reported period. Actual results could differ from those estimates, and those differences could be material.

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.

Cash paid for the operating lease for the year ended December 31, 2023, was \$26,462.

Inventory

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

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 Assets Held by Rose Community Foundation: Valued as reported by the Foundation holding the endowment fund.

Beneficial Interest In Assets Held by Community First Foundation: 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, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

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.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on

a straight-line basis over the lease term. The Foundation does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

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, 2023, 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.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 and payroll taxes/benefits which are allocated on the basis of estimates of time and effort. In-kind from the library and rent are allocated based on physical space used by each program or function.

Comparative Financial 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, 2022, from which the summarized information was derived.

Subsequent Events

The Foundation has performed an evaluation of subsequent events through October 29, 2024, 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.

(3) Income Taxes

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.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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, 2020. 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, 2023, 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, 2023:

	<u>Level 3</u>
Beneficial interest in assets held by Rose Community Foundation	\$ 53,778
Beneficial interest in assets held by Community First Foundation	<u>624,322</u>
	<u>\$ 678,100</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, 2023	\$ 640,161
Investment income, net	70,530
Distributions	(32,591)
Balance, December 31, 2023	<u>\$ 678,100</u>

For the year ended December 31, 2023, substantially all investment income was derived from a distribution from the Community First Foundation Endowments. Level 3 investments consist of the Foundation's beneficial interests in Rose Community Foundation and Community First Foundation. The fair value is based on the value of the Foundation's portion of the underlying investments in the beneficial interests using valuation methods that are appropriate for those investments as determined by the Rose Community Foundation and Community First Foundation.

Quantitative information related to valuation inputs is not available since the value of which provided by Rose Community Foundation and Community First Foundation was used without adjustment. On an annual basis, Foundation's management evaluates the return received from the beneficial interests against the value of its portion of the beneficial interests 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 interests are primarily marketable securities.

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

The Foundation entered into an endowment fund within the Rose Community Foundation for the benefit of the Foundation. The purpose of this endowment fund is to support the operations of the Foundation. Rose Community Foundation has sole power to invest and reinvest all monies held in this endowment fund in such manner as Rose Community Foundation determines, in compliance with the Rose Community Foundation's current Investment and Endowment policies and in accordance with the standard of conduct set forth in Colorado law. Rose Community Foundation, at the request of the Foundation, may pay an annual distribution of up to 5% of the market value of this endowment fund based on the previous year's value. As of December 31, 2023, the fair value of the assets of the endowment fund was \$53,778.

(6) **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, 2023, the fair value of the assets of the Funds were \$624,322. During 2023, the Foundation's distributions from the Funds are as follows:

Community First Foundation Endowment	\$ 31,774
JC Graham Endowment	817
	\$ 32,591

(7) **Endowment**

General

The Foundation’s endowments are held with Rose Community Foundation and Community First Foundation, as discussed in Note 5 and 6.

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, 2023, are as follows:

	<u>With Donor Restrictions</u>
Balance, January 1, 2023	\$ 640,161
Investment income, net	70,530
Distributions	(32,591)
Balance, December 31, 2023	<u>\$ 678,100</u>

Underwater Funds

As of December 31, 2023, no funds were underwater.

Return Objectives And Risk Parameters

The Foundation follows the investment and spending policies adopted by Rose Community Foundation and 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 Rose Community Foundation and Community First Foundation Endowments, the Foundation relies on Rose Community Foundation and Community First Foundation investment policies and strategies, as discussed in Note 5 and 6.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Foundation can receive annual distributions of the lesser of five percent of the monthly average balance of the endowment funds during the preceding year, or the net investment income of the endowment funds, reduced by fees and investment management expense, as discussed in Note 5 and 6. During the year ended December 31, 2023, the spending policy was followed.

(8) Loan Payable

On June 28, 2020, the Foundation qualified for and received a COVID-19 Economic Injury Disaster Loan for an aggregate principal amount of \$150,000 (the "EIDL Loan"). Payment of principal and interest are due monthly in the amount of \$641 with payments being deferred for thirty months until December 2022, however, interest still accrues. The EIDL Loan bears interest at a fixed rate of 2.75% per annum, has a term of thirty years, and is collateralized by the assets of the Foundation. The principal amount due as of December 31, 2023, was \$144,392.

Future annual maturities as of December 31, 2023, are as follows:

2024	\$	3,721
2025		3,825
2026		3,932
2027		4,041
2028		4,153
Thereafter		124,720
	<u>\$</u>	<u>144,392</u>

(9) Leases

The Foundation evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents the Foundation's right to use the underlying asset for the lease term, and the lease liability represents the Foundation's obligation to make lease payments arising from the lease. The ROU asset and lease liability, all of which arise from an operating lease, were calculated based on the present value of the future minimum lease payments over the lease term. The Foundation made an accounting policy election to use a risk-free rate in lieu of its current incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2023, was 1.04%.

The Foundation's operating lease is a noncancellable lease for office space commencing September 1, 2021 through September 30, 2024. For the year ended December 31, 2023, total operating lease cost was \$26,343. As of December 31, 2023, the weighted-average remaining lease term for the Foundation's operating lease was 0.32 years.

For the year ended December 31, 2023, short-term lease cost was \$41,313.

Future maturities of the lease liability are as follows:

2024	\$ 20,290
Total lease payments	20,290
Less present value discount	(70)
Total lease obligation	<u>\$ 20,220</u>

(10) **Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following as of December 31, 2023:

<u>Subject to Passage of Time:</u>	
Time restrictions	\$ 19,692
<u>Subject to Spending Policy and Appropriation:</u>	
Investment in perpetuity -	
Beneficial interest in Rose Community Foundation	53,778
Investment in perpetuity -	
Beneficial interest in Community First Foundation	624,322
	<u>\$ 697,792</u>

(11) **Liquidity And Availability Of Financial Assets**

The following represents the Foundation's financial assets as of December 31, 2023:

Financial assets, at year-end	
Cash and cash equivalents	\$ 357,793
Unconditional promises to give	<u>19,692</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 377,485</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 general endowment funds with Rose Community Foundation and Community First Foundation. The value as of December 31, 2023, was \$678,100. Additionally, the Foundation has the option of taking a 5% distribution annually.

(12) **Contributed Nonfinancial Assets**

Gifts-In-Kind

The Foundation’s gifts-in-kind received during the year ended December 31, 2023, consisted of the following:

Facilities	\$ 55,437
Professional services	5,911
Deliveries	25,965
Food and supplies	8,473
Total gifts-in-kind	<u>\$ 95,786</u>

Facilities were valued and reported at fair value in the financial statements based on actual rent and common area maintenance charges incurred by the library. The professional services were valued and reported at fair value in the financial statements based on the actual payroll costs incurred by the Library. Deliveries were valued and reported at fair value in the financial statements based on actual delivery fees incurred by the Library and were used to support the Foundation’s programs. Food and supplies were valued using U.S. retail prices (principal market) of identical items and were used to support the Foundation’s programs.

The gifts in-kind were utilized as follows during the year ended December 31, 2023:

	<u>Facilities</u>	<u>Prof. Services</u>	<u>Deliveries</u>	<u>Food & Supplies</u>	<u>Total</u>
Literacy and Reading	\$ 33,262	\$ 4,336	\$ 25,965	\$ 2,988	\$ 66,551
Volunteer Support	5,544	393			5,937
Administrative	11,087			5,434	16,521
Fundraising	5,544	1,182		51	6,777
	<u>\$ 55,437</u>	<u>\$ 5,911</u>	<u>\$ 25,965</u>	<u>\$ 8,473</u>	<u>\$ 95,786</u>

All gifts-in-kind received by the Foundation for the year ended December 31, 2023, were considered without donor restrictions and able to be used by the Foundation as determined by the board of trustees and management.

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, 2023, were \$376,644.

(13) 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, Whale's Tale Books and Gifts, internal library sales, holiday sales, pop up sales, and online sales. Used book sales for the year ending December 31, 2023, were \$241,246.

(14) Expenses

Expenses were incurred for the following for the year ended December 31, 2023:

Expenses reported by function	\$ 801,861
Cost of goods sold	9,857
	<u>\$ 811,718</u>

(15) Related Party Transactions

During the year ended December 31, 2023, the Foundation granted \$105,808 to the Library. Such grants included funding the early literary programming, purchasing books for the Summer Reading Club programs and other Library program costs.

During the year ended December 31, 2023, the Foundation reported total expenses of \$801,861, of which \$87,313 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 bookshelf space in each library for the sale of re-purposed/used books.. 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, 2023, excluding the Library's in-kind amounted to \$714,548. 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, 2023, the Foundation also received support from volunteers that was valued at \$376,644. Such amount was the result of 10,359 donated hours and was valued using the hourly rate of \$36.36 provided by Independent Sector.

Accordingly, total support the Foundation provided the Library during 2023 was \$1,091,192. **In summary, the support the Foundation provided the Library was nearly thirteen (13) times the in-kind that the Library provided the Foundation.**