

The Fort Worth Public Library Foundation
Independent Auditor's Report and
Financial Statements
December 31, 2018



The Fort Worth Public Library Foundation

December 31, 2018

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Independent Auditor's Report

To the Board of Directors
The Fort Worth Public Library Foundation
Fort Worth, Texas

We have audited the accompanying financial statements of The Fort Worth Public Library Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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 auditor's 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.

Board of Directors
The Fort Worth Public Library Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fort Worth Public Library Foundation as of December 31, 2018, 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.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2018, The Fort Worth Public Library Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Worth, Texas
August 22, 2019

The Fort Worth Public Library Foundation
Statement of Financial Position
December 31, 2018

Assets

Cash and cash equivalents	\$ 718,952
Certificates of deposit , at cost	213,300
Contributions receivable	43,845
Investments	1,386,518
Prepaid expenses	14,672
Property and equipment, net	<u>9,584</u>
 Total assets	 <u><u>\$ 2,386,871</u></u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 68,226
Deferred revenue	<u>14,750</u>
 Total liabilities	 <u>82,976</u>

Net Assets

Without donor restrictions	
Undesignated	377,059
Designated	<u>257,806</u>
	634,865
 With donor restrictions	 <u>1,669,030</u>
 Total net assets	 <u>2,303,895</u>
 Total liabilities and net assets	 <u><u>\$ 2,386,871</u></u>

The Fort Worth Public Library Foundation
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Contributions	\$ 258,599	\$ 113,474	\$ 372,073
Special events	245,927	-	245,927
Donated facilities	18,000	-	18,000
Interest income	20,894	-	20,894
Investment gain	10,761	-	10,761
Net assets released from restrictions	108,989	(108,989)	-
Total public support and revenue	<u>663,170</u>	<u>4,485</u>	<u>667,655</u>
Expenses:			
Program services			
Library support	126,004	-	126,004
Community programs	83,194	-	83,194
Total program services	<u>209,198</u>	<u>-</u>	<u>209,198</u>
Support services			
Management and general	184,473	-	184,473
Fundraising	243,848	-	243,848
Total supporting services	<u>428,321</u>	<u>-</u>	<u>428,321</u>
Total expenses	<u>637,519</u>	<u>-</u>	<u>637,519</u>
Change in Net Assets	25,651	4,485	30,136
Net Assets, Beginning of Year	<u>609,214</u>	<u>1,664,545</u>	<u>2,273,759</u>
Net Assets, End of Year	<u>\$ 634,865</u>	<u>\$ 1,669,030</u>	<u>\$ 2,303,895</u>

The Fort Worth Public Library Foundation
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Supporting Services			Total
	Library Support	Community Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Awards and gifts	\$ -	\$ -	\$ -	\$ 164	\$ -	\$ 164	\$ 164
Advertising	-	-	-	-	1,143	1,143	1,143
Bank fees	-	-	-	3,162	3,371	6,533	6,533
Computer upgrade fees	-	-	-	702	-	702	702
Contract labor	30,028	13,957	43,985	1,500	3,174	4,674	48,659
Supplies	24,559	-	24,559	-	365	365	24,924
Depreciation	-	-	-	1,240	-	1,240	1,240
Dues and subscriptions	-	-	-	2,071	3,243	5,314	5,314
Rental	900	900	1,800	10,778	19,688	30,466	32,266
Insurance	-	-	-	5,711	-	5,711	5,711
Internet	-	-	-	723	-	723	723
Library program expenses	20,491	-	20,491	-	-	-	20,491
Office expenses	-	3,517	3,517	2,955	178	3,133	6,650
Parking	-	-	-	4,126	-	4,126	4,126
Postage and printing	17,049	-	17,049	835	13,118	13,953	31,002
Professional development	-	-	-	734	-	734	734
Professional fees	-	49,465	49,465	31,447	16,242	47,689	97,154
Recruiting expense	-	-	-	245	-	245	245
Reserve auction	-	-	-	-	8,963	8,963	8,963
Salaries and taxes	11,057	11,057	22,114	101,815	104,860	206,675	228,789
Employee benefits	2,127	2,127	4,254	11,586	11,304	22,890	27,144
Software	-	-	-	-	7,577	7,577	7,577
Storage	-	-	-	529	-	529	529
Telephone	-	-	-	3,188	420	3,608	3,608
Travel, meals and entertainment	19,793	2,171	21,964	662	49,827	50,489	72,453
Website maintenance	-	-	-	300	375	675	675
Total Expenses	\$ 126,004	\$ 83,194	\$ 209,198	\$ 184,473	\$ 243,848	\$ 428,321	\$ 637,519

The Fort Worth Public Library Foundation
Statement of Cash Flows
Year Ended December 31, 2018

Operating Activities	
Change in net assets	\$ 30,136
Items not requiring (providing) cash	
Depreciation	1,240
Net unrealized and realized gain on investments	(10,761)
Changes in:	
Contributions receivable	155
Prepaid expenses	5,999
Accounts payable and accrued expenses	54,181
Deferred revenue	<u>(33,450)</u>
Net cash provided by operating activities	<u>47,500</u>
Investing Activities	
Reinvestment of interest	3,435
Purchases of certificates of deposit and treasury bills	(1,580,465)
Proceeds from maturities of certificates of deposit	<u>1,560,847</u>
Net cash used by investing activities	<u>(16,183)</u>
Net Decrease in Cash and Cash Equivalents	31,317
Cash and Cash Equivalents, Beginning of Year	<u>687,635</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 718,952</u></u>

The Fort Worth Public Library Foundation
Notes to Financial Statements
December 31, 2018

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Fort Worth Public Library Foundation (the "Foundation") is a not-for-profit organization formed on April 15, 1993 to support The Fort Worth Public Library. The Foundation receives support primarily from fundraising events and contributions.

Basis of Presentation

The accompanying financial statements of the Foundation have been presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) and include the accounts maintained by and for the benefit of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2018, cash equivalents consisted primarily of money market accounts.

At December 31, 2018, the Foundation holds cash accounts of approximately \$92,000 that are not federally insured.

Contributions Receivable

Contributions receivable represent grants and gifts for which the Foundation has received notice from the donors of an unconditional promise to give, but remain unpaid at the statement of financial position date. After reviewing individual receivables for collectability, management writes off amounts that are believed to be uncollectible or records an allowance to provide for any uncertainty. Management has determined that no allowance is necessary at December 31, 2018. All amounts are expected to be collected within the next year.

The Fort Worth Public Library Foundation

Notes to Financial Statements

December 31, 2018

Investments and Net Investment Return

Investments in brokered certificates of deposit and treasury bills having a readily determinable fair value are carried at fair value. Other investments are valued at the lower of cost or fair value.

Investment return includes interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended December 31, 2018.

Property and Equipment

Property and equipment acquisitions exceeding \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	5-10 years
Furniture and fixtures	3-5 years
Office equipment	3-5 years
Computer equipment	3-5 years

Deferred Revenue

Deferred revenue represents amounts for the value received for a fundraising event to be held in 2019.

The Fort Worth Public Library Foundation

Notes to Financial Statements

December 31, 2018

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as net assets without donor restrictions.

Donated Facilities and Services

Donated assets are recorded at fair value on the date of receipt. In absence of donor restrictions, donated assets are reported as support without donor restrictions or according to any designations by the Board of Directors. Contributions of services are recognized at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Foundation. The value of the volunteer hours is not reflected in the accompanying financial statements because it does not meet the criteria above.

In addition to receiving cash contributions, the Foundation received in-kind contributions of office space owned by the City of Fort Worth. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended December 31, 2018, \$18,000 was received as in-kind contributions.

The Fort Worth Public Library Foundation

Notes to Financial Statements

December 31, 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on specific identification of costs and approximate percentage of time expended.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. Federal jurisdictions.

Collections

Collections of works of art, historical treasures and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

The Foundation's collections consist of artwork. They are subject to a policy that requires proceeds from the disposition of collection items to be used to acquire other collection items.

There were no collection items sold or removed during 2018.

Subsequent Events

Management evaluated subsequent events through August 22, 2019, which is the date the financial statements were available to be issued.

Note 2: Change in Accounting Principle

In 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted, and permanently restricted.

The Fort Worth Public Library Foundation
Notes to Financial Statements
December 31, 2018

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change has no impact on previously reported total change in net assets.

Note 3: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis. At December 31, 2018, investments, all of which are classified as Level 2, consist of the following:

The Fort Worth Public Library Foundation
Notes to Financial Statements
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	Fair Value	Cost
Money market	\$ 8,806	\$ 8,806
Brokered certificates of deposit	599,631	599,000
U.S. treasury bills	778,081	768,164
	\$ 1,386,518	\$ 1,375,970

Money market accounts are not assigned a classification in the fair value hierarchy but are included in the above table for purposes of reconciliation with the statement of financial position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

At December 31, 2018, the Foundation's investments include brokered certificates of deposit and treasury bills, valued at \$1,386,518 are classified as Level 2.

Note 4: Property and Equipment

A summary of property and equipment at December 31, 2018 follows:

Leasehold improvements	\$ 16,145
Furniture and fixtures	16,995
Office equipment	4,126
Computer equipment	5,929
	43,195
Less accumulated depreciation	(33,611)
	\$ 9,584

The Fort Worth Public Library Foundation
Notes to Financial Statements
December 31, 2018

Note 5: Designated Net Assets Without Donor Restrictions

During 2016, the Board of Directors designated \$250,000 of contributions without donor restrictions to establish the FWPLF Endowment in order to further the Foundation's charitable purpose and mission. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as net assets without donor restrictions.

The Foundation has adopted a policy that seeks to grow the FWPLF Endowment through investment income and additional contributions. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Over the long term, the Foundation expects the policy to allow its FWPLF Endowment to grow to a point where it can diversify the investment portfolio. Additionally, the Foundation's policy includes appropriating a portion of investment earnings from matured investments within the FWPLF Endowment to fund Foundation operations and programming while maintaining the endowment corpus.

To achieve that objective, the Foundation has adopted an investment policy that attempts to minimize risk. Endowment assets are invested in short-term FDIC insured certificates of deposit with at least a 1% yield. Actual returns in any given year may vary from this amount.

Activity of the designated endowment during 2018 was as follows:

Balance, Beginning of Year	\$ 252,864
Income on invested funds	<u>4,942</u>
Balance, End of Year	<u><u>\$ 257,806</u></u>

Note 6: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 are restricted for the following purposes:

Central Library programs and improvements	\$ 861,880
Hazel Harvey Peace Youth Center programs	327,458
Branch libraries	58,910
College counseling/Launchpad	94,659
Reading/literacy programs	290,085
Technology	28,000
Collections	<u>8,038</u>
	<u><u>\$ 1,669,030</u></u>

The Fort Worth Public Library Foundation
Notes to Financial Statements
December 31, 2018

Net Assets Released from Restrictions

During 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Central Library programs and improvements	\$ 49,357
College counseling/Launchpad	27,318
Reading/literacy programs	<u>32,314</u>
	<u><u>\$ 108,989</u></u>

Note 7: Concentrations

The Foundation receives a substantial amount of its support from private foundations and individual donors. During 2018, the Foundation received approximately \$105,000 in donations from two donors representing approximately 28% of the Foundation's total revenue.

Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Cash	\$ 718,952
Contributions receivable	43,845
Certificates of deposits and treasury bills	<u>1,599,818</u>
Total financial assets	<u>2,362,615</u>
Donor-imposed restrictions:	
Program services expenses	(1,669,030)
Internal designations:	
Designated for endowment	<u>(257,806)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 435,779</u></u>

The Fort Worth Public Library Foundation

Notes to Financial Statements

December 31, 2018

The entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. During the year ended December 31, 2018, management has determined that the level of liquidity and reserves was managed within the policy requirements.

Note 9: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities.

On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08. This standard clarifies existing guidance on determining whether a transaction with a resource provider, e.g., the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important.

For nonpublic entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

The Foundation is in the process of evaluating the impact these ASU's will have on the financial statements.

The Fort Worth Public Library Foundation

Notes to Financial Statements

December 31, 2018

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. The Foundation is evaluating the impact the standard will have on the financial statements; however, the standard is not expected to have a material impact on the financial statements.