

JOHNSON COUNTY LIBRARY FOUNDATION

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2018 AND 2017**

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JOHNSON COUNTY LIBRARY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnson County Library Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Johnson County Library Foundation (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Library Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Troutt, Beeman & Co., P.C.

Olathe, Kansas
August 20, 2019

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 164,517	\$ 417,330
Unconditional promises to give	150,000	-
Investments	1,858,322	1,815,302
Total current assets	2,172,839	2,232,632
OTHER ASSETS, Unconditional promises to give - long term	29,100	-
Total assets	\$ 2,201,939	\$ 2,232,632
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES, Accounts payable	\$ 5,775	\$ 54,230
NET ASSETS:		
Without donor restrictions	1,894,634	1,992,613
With donor restrictions	301,530	185,789
Total net assets	2,196,164	2,178,402
Total liabilities and net assets	\$ 2,201,939	\$ 2,232,632

See accompanying notes.

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES, GAINS/(LOSSES) AND OTHER SUPPORT:		
Contributions	\$ 232,329	\$ 186,576
Investment gain (loss)	(95,486)	219,668
Special events:		
Library lets loose	119,851	81,651
Stay home and read book ball	3,365	11,063
Special event expenses	(29,170)	(23,323)
Net special event revenue	94,046	69,391
Net assets released from restrictions	250,342	200,079
Other	1,340	3,278
Total revenues, gains/(losses) and other support	482,571	678,992
EXPENSES:		
Program services	315,108	303,831
Management and general	143,256	135,793
Fundraising	122,186	78,609
Total expenses	580,550	518,233
Change in net assets without donor restrictions	(97,979)	160,759
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	366,083	99,816
Net assets spent according to donor restrictions	(250,342)	(200,079)
Change in net assets with donor restrictions	115,741	(100,263)
TOTAL INCREASE (DECREASE) IN NET ASSETS	17,762	60,496
NET ASSETS, Beginning of year	2,178,402	2,117,906
NET ASSETS, End of year	\$ 2,196,164	\$ 2,178,402

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Donations to Johnson County Library Collection	\$ 82,703	\$ -	\$ -	\$ 82,703
Salaries	-	79,601	93,399	173,000
Bank and credit card charges	-	2,302	-	2,302
Marketing	-	533	3,838	4,371
Other contracted services	43,358	1,200	10,800	55,358
In-kind goods and services	-	34,250	4,840	39,090
Insurance	-	1,784	-	1,784
Training and consulting	-	40	-	40
Professional fees	-	5,600	-	5,600
Annual meeting	-	2,157	-	2,157
Miscellaneous	4,044	-	905	4,949
Subscriptions	-	6,066	-	6,066
Supplies	14,864	-	-	14,864
Postage and shipping	-	-	3,607	3,607
Equipment	43,086	-	-	43,086
Printing	-	-	4,797	4,797
Travel	-	2,703	-	2,703
Rent	-	7,020	-	7,020
Books and related supplies	127,053	-	-	127,053
	\$ 315,108	\$ 143,256	\$ 122,186	\$ 580,550

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total Expenses
Donations to Johnson County Library Collection	\$ 84,053	\$ -	\$ -	\$ 84,053
Salaries	19,441	52,995	29,683	102,119
Bank and credit card charges	-	2,908	-	2,908
Marketing	-	-	7,505	7,505
Other contracted services	60,347	5,200	7,800	73,347
In-kind goods and services	-	35,910	26,090	62,000
Insurance	-	1,862	-	1,862
Training and consulting	-	40	-	40
Professional fees	-	5,500	-	5,500
Professional and staff development	-	4,647	-	4,647
Annual meeting	-	3,049	-	3,049
Miscellaneous	20,307	4,363	39	24,709
Subscriptions	-	9,613	-	9,613
Supplies	5,666	-	-	5,666
Postage and shipping	-	-	4,300	4,300
Equipment	42,643	400	-	43,043
Printing	1,070	-	3,192	4,262
Travel	-	2,286	-	2,286
Rent	-	7,020	-	7,020
Books and related supplies	70,304	-	-	70,304
	\$ 303,831	\$ 135,793	\$ 78,609	\$ 518,233

See accompanying notes.

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(decrease) in net assets	\$ 17,762	\$ 60,496
Donations to Johnson County Library Programs, Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase)/decrease in assets, unconditional promises to give	(179,100)	30,000
Increase (decrease) in operating liabilities, accounts payable	(48,455)	(9,399)
Unrealized (gain)/loss on investments	162,430	(164,222)
Realized gain on investments	<u>33,085</u>	<u>27,241</u>
Total adjustments	(32,040)	(116,380)
Net cash used by operating activities	<u>(14,278)</u>	<u>(55,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	175,941	146,056
Purchase of investments	<u>(414,476)</u>	<u>(145,435)</u>
Net cash provided (used) by investing activities	(238,535)	621
NET DECREASE IN CASH	(252,813)	(55,263)
CASH, Beginning of year	<u>417,330</u>	<u>472,593</u>
CASH, End of year	<u>\$ 164,517</u>	<u>\$ 417,330</u>

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization: The Johnson County Library Foundation (the Foundation), is a not-for-profit corporation whose basic purpose is to assist in the continued growth, enhancement, and development of library collections of the Johnson County Library. This includes the establishment and maintenance of an endowment fund, and to encourage and solicit private philanthropic support. The Foundation's support comes primarily from individual donors, various foundations, and corporations.

The Johnson County Library Foundation is a 501(c)(3) organization and is exempt from income tax under section 501(a) of the Internal Revenue Code.

Basis of Accounting: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting, in which revenues and expenditures are reflected in the accounts in the period in which they are considered to be earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt, payment of cash, or its equivalent.

The financial statements of the Foundation report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, in-kind support, marketing and other contractual services. The expenses are allocated on the basis of time, effort and usage.

For financial reporting purposes, the Foundation follows the reporting requirements of the generally accepted accounting principles, which requires resources to be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of contributions received without any restrictions, investment earnings, income earned from special events net of related expenses and contributions previously restricted that have been released from donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. At December 31, 2018 and 2017, there were net assets with donor restrictions of \$302,281 and \$185,789, respectively.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents: For the statement of financial position and statement of cash flows, cash and cash equivalents are defined as all monies in checking, savings, money market accounts, and certificates of deposit.

Promises to Give: Unconditional promises to give are recorded when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are from individuals, foundations, and corporations as a result of the Foundation's enrichment campaign. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. The Foundation has classified promises to give that are expected to be received greater than twelve months in the future as long term on the Statements of Financial Position.

Investments: Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains and losses restricted by a donor are reported as increases or decreases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Donations-In-Kind: Material donations-in-kind received by the Foundation are recorded as income along with a corresponding charge to expense. The material in-kind donations received during the year were donated salaries, professional services, and rent.

The Foundation also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts for these donated services have been recognized in the statement of activities because the criteria for recognitions under FASB ASC No. 958 have not been satisfied.

Contributions: Contributions received are recorded as without donor restriction or with donor restriction depending on the existence or nature of any donor restrictions. Promises to give are recognized as income when the promise is received.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes: The Foundation is exempt from income tax under Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes is included in these financial statements.

During the years ended December 31, 2018 and 2017, the Foundation did not incur any interest or penalties on its tax returns. The Foundation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes the returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. The Foundation's open tax years are 2015 through 2018.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and other activities.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising: The costs of advertising are expensed as incurred.

Reclassifications: Certain items in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no impact on previously reported change in net assets.

2. INVESTMENTS:

The Foundation invests its funds in the Greater Kansas City Community Foundation. The Greater Kansas City Community Foundation manages the assets and maintains separate accounts for each participating entity. Assets of participants may be invested in equities, fixed income, and cash equivalent securities. Investments with the Greater Kansas City Community Foundation at December 31, 2018 and 2017, are \$1,858,322 and \$1,815,302, respectively. They are stated at fair market value.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS (Continued):

Investments at December 31, 2018 and 2017, are comprised of the following:

	2018	2017
Money market portfolio	\$ 4,018	\$ 3,636
Fixed income portfolio	780,363	717,052
Equity portfolio	1,073,941	1,094,614
	\$ 1,858,322	\$ 1,815,302

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 44,322	\$ 37,563
Net realized and unrealized gains (loss)	(129,346)	191,463
Administrative fees	(10,462)	(9,358)
Investment gain (loss)	\$ (95,486)	\$ 219,668

3. PROMISES TO GIVE:

Unconditional promises to give at December 31, 2018 and 2017, consisted of the following:

	2018	2017
Promises in less than one year	\$ 150,000	\$ -
Promises in one to five years	30,000	-
Less discounts to net present value	900	-
Net unconditional promises to give	\$ 179,100	\$ -

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 3.0%.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. NET ASSETS WITH DONOR RESTRICTIONS:

The Foundation's net assets at December 31, 2018 and 2017, are available for the following purpose restriction:

	<u>2018</u>	<u>2017</u>
Library programs	<u>\$ 302,281</u>	<u>\$ 185,789</u>
Total net assets with donor restrictions	<u>\$ 302,281</u>	<u>\$ 185,789</u>

5. RELATED PARTY TRANSACTIONS:

The Foundation reimburses the Johnson County Library for actual salary cost incurred by individuals performing services for the Foundation. For the years ended December 31, 2018 and 2017, the Foundation reimbursed \$50,152 and \$60,559 respectively, to the Library. The Johnson County Library also provides in-kind support to the Foundation, for the years ended December 31, 2018 and 2017, the Foundation received \$121,159 and \$129,579 of in-kind support, respectively.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amount of financial instruments, including cash, unconditional promises to give, investments, and accounts payable approximate their fair market value due to the short-term maturities of these instruments.

7. FAIR VALUE MEASUREMENTS:

FASB ASC 820, Fair Value Measurements and Disclosures, provides the 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 to 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).

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

8. FAIR VALUE MEASUREMENTS (Continued):

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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 similar assets or liabilities in active markets;
- Quoted prices for identical 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 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 when measuring fair value.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 or 2017.

When quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds, equity securities, and fixed income bond funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, and other observable inputs or discounted cash flows. Level 2 securities include alternative investments. 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 and 2017, the Foundation did not have any Level 3 investments.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

8. FAIR VALUE MEASUREMENTS (Continued):

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

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets that were accounted for at fair value on a recurring basis as of December 31, 2018 and 2017:

ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market mutual funds	\$ 4,018	\$ -	\$ -	\$ 4,018
Equity mutual funds	780,363	-	-	780,363
Fixed income bonds	<u>1,073,941</u>	<u>-</u>	<u>-</u>	<u>1,073,941</u>
Total Assets at Fair Value	<u>\$1,858,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,858,322</u>

ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market mutual funds	\$ 3,636	\$ -	\$ -	\$ 3,636
Equity mutual funds	717,052	-	-	717,052
Fixed income bonds	<u>1,094,614</u>	<u>-</u>	<u>-</u>	<u>1,094,614</u>
Total Assets at Fair Value	<u>\$1,815,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,815,302</u>

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. ASSET LIQUIDITY:

The Foundation has \$2,152,839 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$164,517, unconditional promises to give of \$150,000 and short-term investments of \$1,858,322. The Foundation receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its operations to be available to meet cash needs for general expenditures.

The unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a goal to maintain financial assets to be available as its general expenditures, liabilities, and other obligations come due.

10. EVALUATION OF SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through August 20, 2019, the date which the financial statements were available to be issued.