

ARAPAHOE LIBRARY FRIENDS FOUNDATION

FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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Englewood, CO 80112
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Arapahoe Library Friends Foundation, Inc.
December 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Arapahoe Library Friends Foundation, Inc.
Arapahoe County, Colorado

We have audited the accompanying financial statements of Arapahoe Library Friends Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities 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.

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

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

Opinion

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 10, 2020

Arapahoe Library Friends Foundation, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current Assets

Cash	\$ 351,476
Investments	42,758
Due from Arapahoe Library District	2,436
Prepaid Expense	642
	<hr/>

Total Assets

397,312

Liabilities and Net Assets

Current Liabilities

Accounts Payable	<hr/> 973
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Total Liabilities

973

Net Assets

Without Donor Restrictions	<hr/> 396,339
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Total Net Assets

396,339

Total Liabilities and Net Assets

\$ 397,312

Arapahoe Library Friends Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	Total
Revenue and Support		
In-kind Contributions	\$ 146,646	\$ 146,646
Book Sales	188,321	188,321
Memberships	17,207	17,207
Contributions	4,807	4,807
Investment Earnings, Net	986	986
Total Revenue and Support	357,967	357,967
Expenses		
Program Services	77,200	77,200
Supporting Services		
Management and General	43,833	43,833
Fundraising	130,717	130,717
Total Expenses	251,750	251,750
Change in Net Assets	106,217	106,217
Net Assets, Beginning of Year	290,122	290,122
Net Assets, End of Year	\$ 396,339	\$ 396,339

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions Received	\$ 4,807
Book Sales Received	189,229
Memberships Received	17,207
Payments to Suppliers	(28,167)
Payments to Arapahoe Library District	<u>(77,450)</u>

Net Increase in Cash 105,626

Cash and Cash Equivalents - Beginning of Year 245,850

CASH AND CASH EQUIVALENTS - END OF YEAR **\$ 351,476**

NON-CASH ACTIVITIES

In-Kind Donations \$ 146,646

Arapahoe Library Friends Foundation, Inc.
Notes to the Financial Statements
December 31, 2019

I. Organization

The Arapahoe Library Friends Foundation, Inc. (the Foundation) was formed December 31, 1990, exclusively for the benefit of, to perform the functions of, or to carry out the charitable and educational purposes of the Arapahoe Library District (the Library District) within the meaning of Section 501(c)(3) of the Internal Revenue Code. Therefore the Foundation is reported as an includible entity in the Library District's financial statements. The Foundation was formerly known as the Arapahoe Library Foundation, Inc.

II. Summary of Significant Accounting Policies

A. Accounting Policies

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

B. Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows. The Foundation's net assets are comprised solely of net assets without donor restrictions at December 31, 2019.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. Cash and Cash Equivalents

The Foundation considers all cash deposits and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

II. Summary of Significant Accounting Policies (Continued)

D. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

E. Revenues

Contributions and support are received through membership dues, sales of donated books, outright gifts, grants from local agencies and corporations, and special purpose capital campaigns. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

F. In-Kind Donations

Contributions of skilled services and certain supplies from the District are reflected as in-kind donations in the financial statements. In-kind donations are reported at the fair value on the date of donation.

G. Functional Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited based on relative staff time and effort reported as expended on those programs and services.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results could differ from these estimates.

I. Subsequent Events

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

II. Summary of Significant Accounting Policies (Continued)

During the period from January 1, 2020 through June 10, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year end and are still developing.

J. Adoption of New Accounting Standards

In 2019, the Foundation adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, Revenues from Contracts with Customers, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In addition, the Foundation adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies guidance surrounding whether transactions should be accounted for as contributions or as exchange transactions, and determining whether a contribution is conditional. There was no material impact on the Foundation's financial position and results of operations upon adoption of the new standards.

III. Liquidity

The Foundation has \$396,670 of financial assets available within one year consisting of deposits of \$351,039, cash on hand of \$437, investment in a local government investment pool of \$42,758, and amounts due from the District of \$2,436. As part of its liquidity management, the Foundation invests cash in excess of current operating expenses in a local government investment pool.

IV. Cash and Investments

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

At December 31, 2019, the Foundation's cash deposits and investments were as follows:

	Carrying Balance
Cash Deposits	\$ 351,039
Cash on Hand	437
Total Cash	351,476
Local Government Investment Pool	42,758
Total Investments	42,758
Total Cash and Investments	\$ 394,234

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

V. Investments

Fair Value Measurement

The Foundation has established an investment policy. In accordance with the policy, at December 31, 2019, the Foundation had \$42,758 invested in a local government investment pool.

The Foundation reports all financial assets and liabilities at fair value by utilizing the following three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and are significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Foundation's investments in a local government investment pool are classified within Level 2.

VI. Donated Services

Numerous volunteers have donated significant amounts of time to the Foundation for program services and administration. These services were not recorded in the financial statements in 2019 because they are not measurable and the Foundation would not purchase the volunteered services if they were not donated.

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

VII. Functional Expense Allocation

Expenses by function for the year ended December 31, 2019 were as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contributions to				
Arapahoe Library District	\$ 77,200	\$ -	\$ -	\$ 77,200
Rent and Operating Costs	-	5,425	106,220	111,645
Contracted Services	-	24,233	10,767	35,000
Bank Charges	-	8,743	-	8,743
Office Supplies	-	3,239	3,491	6,730
Professional Fees	-	945	-	945
Mileage and Meals	-	340	1,897	2,237
Sales Tax and Selling Fees	-	-	7,089	7,089
Postage	-	240	1,129	1,369
Advertising	-	-	124	124
Miscellaneous	-	668	-	668
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 77,200</u>	<u>\$ 43,833</u>	<u>\$ 130,717</u>	<u>\$ 251,750</u>

VIII. Related Party Transactions

The Foundation is a component unit of the Arapahoe Library District. The Library District maintains control of the Foundation in the following areas:

- The Board of Trustees of the Library District elects members of the Foundation's Board of Directors.
- Similarly, the Library District's Board of Trustees may remove any Director of the Foundation.
- The Foundation may not disburse funds for costs that have not been recommended by the Library District's Board of Trustees.

In 2019, the Arapahoe Library District donated \$35,000 in salaries, payroll taxes and benefits for Library District employees who performed services for the Foundation. The Library District also provided office space for the Foundation, as well as space for the Foundation's book stores in five of its library branches. The Foundation recognizes contribution revenue for donated services provided by the Library District, which are recognized at estimated fair value. Operating costs and building space donated to the Foundation from the Library District totaled \$111,646.

Arapahoe Library Friends Foundation, Inc.
Statement of Cash Flows
December 31, 2019

VII. Related Party Transactions (Continued)

These services are reflected in the expense functions on the statement of activities as follows:

Fundraising	\$	116,987
Management and General		<u>29,659</u>
Total	<u>\$</u>	<u>146,646</u>

The Foundation receives income primarily through the sale of donated books and fundraising campaigns for Library District projects or programs. The Foundation provided the following support to the Library District in 2019:

Summer Reading Program	\$	62,500
Ipads and stands		4,650
Child and Family Services book baskets		3,500
Grassroots Marketing & Community Gathering		2,850
Preschool Outreach Program Books		2,500
Lego sets		<u>1,200</u>
Total	<u>\$</u>	<u>77,200</u>

At December 31, 2019, the Library District owes the Foundation \$2,436, which is due and payable within the next calendar year.

VIII. Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service (IRS) has determined that the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). As of December 31, 2019, the IRS has not proposed any adjustments that would result in a material change to the Foundation's financial position.