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**LAS VEGAS - CLARK COUNTY  
LIBRARY DISTRICT FOUNDATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED  
INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

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**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**  
**FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR**  
**THE YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Las Vegas-Clark County Library District Foundation, Inc.  
Las Vegas, Nevada

We have audited the accompanying financial statements of the Las Vegas-Clark County Library District Foundation, Inc. (the Foundation), a component unit of the Las Vegas-Clark County Library District, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the notes to financial statements.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. This process 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 preparation and fair presentation of the financial statements to enable the design of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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.

**Management's Responsibility for the Financial Statements.** Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States; 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 the 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.

**Opinion.** In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

**Prior Period Financial Statements.** The financial statements of the Foundation as of and for the year ended June 30, 2017, were audited by other auditors whose report thereon, dated November 6, 2017, expressed an unmodified opinion on those statements.



Las Vegas, Nevada  
November 2, 2018

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2018 AND 2017**

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash	\$ 388,004	\$ 335,065
Receivables		
Related Party	3,055,000	-
Interest Receivable	63,605	-
Other Receivable	1,047	75,000
Inventory	95,443	88,841
Prepaid Expenses	4,830	-
	<u>3,607,929</u>	<u>498,906</u>
<b>Long-Term Assets</b>		
Notes Receivables	<u>17,981,600</u>	<u>-</u>
<b>Total Assets</b>	<b>\$ <u>21,589,529</u></b>	<b>\$ <u>498,906</u></b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 81,388	\$ 111,868
Due to Related Party	88,103	-
Unearned Revenue	20,415	-
	<u>189,906</u>	<u>111,868</u>
<b>Total Liabilities</b>	<b>189,906</b>	<b>111,868</b>
<b>Net Assets</b>		
Unrestricted Net Assets	40,615	28,943
Temporarily Restricted Net Assets	18,304,008	358,095
Permanently Restricted Net Assets	3,055,000	-
	<u>21,399,623</u>	<u>387,038</u>
<b>Total Net Assets</b>	<b>21,399,623</b>	<b>387,038</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>21,589,529</u></b>	<b>\$ <u>498,906</u></b>

The accompanying notes are an integral part of these financial statements

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Revenues</b>					
Bookstore Sales	\$ -	\$ 287,426	\$ -	\$ 287,426	\$ 303,898
Contributions					
Related Party	-	17,981,600	3,055,000	21,036,600	-
Others	18,635	492,777	-	511,412	70,196
Interest Income	194	143,986	-	144,180	-
	<u>18,829</u>	<u>18,905,789</u>	<u>3,055,000</u>	<u>21,979,618</u>	<u>374,094</u>
Net Assets Released From Restrictions	959,876	(959,876)	-	-	-
<b>Total Revenues</b>	<b><u>978,705</u></b>	<b><u>17,945,913</u></b>	<b><u>3,055,000</u></b>	<b><u>21,979,618</u></b>	<b><u>374,094</u></b>
<b>Expenses</b>					
Program Services					
Contribution to Library District	863,209	-	-	863,209	319,913
Other	96,869	-	-	96,869	76,590
	<u>960,078</u>	<u>-</u>	<u>-</u>	<u>960,078</u>	<u>396,503</u>
Fundraising and Development	3,364	-	-	3,364	10,584
Management and General	3,591	-	-	3,591	4,115
<b>Total Expenses</b>	<b><u>967,033</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>967,033</u></b>	<b><u>411,202</u></b>
<b>Change in Net Assets</b>	<b>11,672</b>	<b>17,945,913</b>	<b>3,055,000</b>	<b>21,012,585</b>	<b>(37,108)</b>
Net Assets at Beginning of Year	<u>28,943</u>	<u>358,095</u>	<u>-</u>	<u>387,038</u>	<u>424,146</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 40,615</u></b>	<b><u>\$ 18,304,008</u></b>	<b><u>\$ 3,055,000</u></b>	<b><u>\$ 21,399,623</u></b>	<b><u>\$ 387,038</u></b>

The accompanying notes are an integral part of these financial statements

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 21,012,585	\$ (37,108)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
(Increase) Decrease in Operating Assets:		
Receivable	(3,044,652)	(75,000)
Inventory	(6,602)	2,426
Prepaid Expenses	(4,830)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	(30,480)	(55,194)
Due to Related Party	88,103	-
Unearned Revenue	20,415	-
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>18,034,539</b>	<b>(164,876)</b>
<b>Cash Flows from Investing Activities:</b>		
Issuance of Long-Term Note Receivables	(17,981,600)	-
<b>Net Increase (Decrease) in Cash</b>	<b>52,939</b>	<b>(164,876)</b>
Cash at Beginning of Year	335,065	499,941
<b>Cash at End of Year</b>	<b>\$ 388,004</b>	<b>\$ 335,065</b>

The accompanying notes are an integral part of these financial statements

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 – ORGANIZATION**

Las Vegas-Clark County Library District Foundation, Inc. (the “Foundation”) is a nonprofit organization incorporated on October 13, 2002 and is located in Las Vegas, Nevada. The Foundation was formed to provide aid, support and assistance in the promotion, growth and improvement of the Las Vegas-Clark County Library District (the “Library District”).

The Foundation is governed by a Board of Directors (the “Board”) that shall have not less than three and not more than fifteen members of which two members shall, at all times, be appointed from the current membership of the Library District’s Board of Trustees, and the Executive Director of the Library District shall also, at all times, serve as a member in an ex-officio capacity.

Due to the significance of the Foundation’s operations and financial relationship with the Library District and the fact that the Library District management has operational (accounting) responsibility for the Foundation, the Foundation is reported as a blended component unit in the Library District’s annual financial reports.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***FINANCIAL STATEMENT PRESENTATION AND BASIS OF ACCOUNTING***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) applicable to not-for-profit organizations, principally Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958.

The Foundation measures all of its assets and liabilities on the historical cost basis of accounting except as otherwise required and disclosed herein.

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as defined below.

***Unrestricted Net Assets***

Unrestricted net assets are not subject to donor-imposed stipulations. Donations made for the Foundation’s stated purposes are considered unrestricted.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those subject to donor-imposed stipulations that may or will be met by the actions of the Foundation and/or the passage of time.

***Permanently Restricted Net Assets***

Permanently restricted net assets are subject to donor-imposed stipulations that the corpus be maintained permanently and that the earnings may be used solely for purposes that support the Library District’s programs.

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***FINANCIAL STATEMENT PRESENTATION AND BASIS OF ACCOUNTING  
(CONTINUED)***

The Foundation maintains its records on the accrual basis of accounting. Revenues are recognized when billed, not received, and expenses are recognized when incurred, not paid.

The Foundation does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters, but rather, records such as period costs when services are rendered.

***ACCOUNTS RECEIVABLE***

Receivables are carried at estimated net realizable value and, except for notes receivable (Note 7), are short-term and non-interest bearing. In establishing an allowance for doubtful collections, the Foundation considers information available about the customer's or contributor's apparent financial condition, payment history, the Foundation's relationship with the customer or contributor, the relative strength of the Foundation's legal position, the related cost of any proceedings, and general and local economic conditions. Receivables are deemed to be delinquent when payments are past due 30 days and written off when they are determined to be uncollectible based on an evaluation by management of facts and circumstances. The maximum losses that the Foundation would incur if a customer or contributor failed to pay would be limited to the carrying value after any allowances provided. At June 30, 2018 and 2017, all accounts receivable balances were considered to be collectible.

***INVENTORIES***

Inventory consists of books and other donated library materials. Inventory is stated at estimated market value determined using an average fair market value of \$0.75 per inventory item.

***CONTRIBUTIONS***

As required under US GAAP, all contributions are recognized as support in the statement of activities in the period received, including bequests (once the Foundation's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation). Non-cash (in-kind) contributions of securities, services, books and other materials are recorded at their estimated fair value at the time of contribution.

Contributions are considered available for unrestricted use, unless they are restricted by the donors. The Foundation reports contributions of cash and other assets as restricted support if the contributions are either received with donor stipulations that limit the use of the donated assets, even when expended for their intended purpose within the same year, or if they are unavailable by their terms for expenditure in the current period.

When a donor restriction expires, that is, when a time restriction ends or when restricted funds have been expended for their intended purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***INCOME TAXES***

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified as a publicly supported charitable organization under Section 509(a)(1); therefore, donations qualify for a maximum charitable contribution deduction under IRC Section 170(b)(1)(A)(vi).

Because there are no known circumstances that would place the Foundation's status as a tax-exempt organization in jeopardy, and because the Foundation does not engage in unrelated business income activities, and there are no known uncertain tax positions taken or to be taken, no provision has been made for income taxes. The Foundation is no longer subject to income tax examinations by United States tax authorities for years before 2015.

***USE OF ESTIMATES AND RECLASSIFICATIONS***

The preparation of financial statements, in conformity with US GAAP, requires management to make certain estimates and assumptions that affect amounts reported in the statements and accompanying notes. Assets, liabilities, and contingency disclosures require estimates as of the date of the financial statements. Revenues and expenses require estimates during the reporting period. Actual results could differ from those estimates.

Certain minor reclassifications of prior year amounts have been made to conform to the current year presentation.

**NOTE 3 – CASH**

For purposes of the statement of cash flows, the Foundation considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. These accounts are at financial institutions that are FDIC insured up to \$250,000.

**NOTE 4 – CONCENTRATIONS AND RISKS**

Because the Foundation's operations are concentrated in the Las Vegas, Nevada metropolitan area, realization of its receivables and its future operations could be affected by adverse changes in economic conditions in this area.

The United States has been recovering from a widespread recession accompanied by declines in residential real estate sales, higher energy costs and other inflationary trends, and weakness in the commercial and investment banking systems, all of which have had far-reaching effects on the economic activity in the country. The long-term impact of these factors on the Nevada economy and the Foundation's fundraising and other operating activities cannot be predicted at this time but may be substantial.

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 4 – CONCENTRATIONS AND RISKS (CONTINUED)**

From time to time the Foundation carries cash and cash equivalents on deposit with financial institutions in excess of federally-insured limits, and the risk of future losses that may be sustained in the event of a future failure of a financial institution, if any, is not subject to estimation at this time.

The Foundation negotiated an agreement with the Library District under which it manages and sells non-circulating library books and materials. The term of the agreement is for 10 years ending September 1, 2019. The books and materials are sold through volunteer-staffed bookstores located within Library District branches, online through third party vendors, and on occasion at community events.

Revenues earned through this arrangement are temporarily restricted for future use towards Library District programs. For the years ended June 30, 2018 and 2017, the Foundation recognized revenues of \$287,426 and \$303,898, respectively.

The Foundation also receives and sells books donated by the public. Revenues earned from the sale of publicly donated books are also temporarily restricted.

**NOTE 5 – RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2018 and 2017, includes \$4,621 to be used to provide scholar awards to local youth from West Las Vegas with the remaining amount of \$18,299,387 to be used to aid, support and assist the promotion, growth, and improvement of the Library District.

Permanently restricted net assets as of June 30, 2018 and 2017, comprised solely of endowment fund assets, are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the charitable and educational purposes to aid, support, and assist the promotion, growth, and improvement of the Library District.

**NOTE 6 – DONATED SERVICES AND RELATED PARTY TRANSACTIONS**

Various Foundation program and support activities are conducted by volunteers. The value of the contributed time is not reflected in the accompanying financial statements unless it meets the criteria for recognition under US GAAP. No such contributed services were given accounting recognition in 2018 or 2017. The total number of volunteer hours was 45,647 and 45,309 for the years ended June 30, 2018 and 2017, respectively.

The Foundation routinely conducts business with the Library District. On behalf of the Foundation, the Library District pays for three part-time employees and their related benefits, and provides the Foundation with office space, office equipment, and bookstore facilities.

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 – DONATED SERVICES AND RELATED PARTY TRANSACTIONS (CONTINUED)**

For the years ended June 30, 2018 and 2017, the Foundation made contributions of \$863,209 and \$319,913, respectively, to the Library District, which are included in program services on the Statement of Activities.

In Fiscal Year 2018, the Board approved the establishment of an endowment fund. The Library District contributed \$3,055,000 to the Foundation, to be held, managed, and distributed by the Foundation with the restriction that only earnings, and not principal, may be used. In addition, the selection of investments and the investment strategy of the endowment fund shall be subject to the review and approval of the Library District.

**NOTE 7 – NOTES RECEIVABLE AND NEW MARKETS TAX CREDIT TRANSACTIONS**

During the year ended June 30, 2018, the Foundation entered into several transactions in order to make additional funds available to it through the New Markets Tax Credit (“NMTC”) Program. The NMTC Program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equate to 39% of the qualified investment.

***EAST LAS VEGAS LIBRARY***

On July 26, 2017, the Foundation loaned \$11,335,600 (the “Leverage Loan”) to COCRF Investor 99, LLC (the Investment “Fund”). The Fund also received equity in the amount of \$5,834,400 from a tax credit investor, Capital One, National Association (“CCE”). The Fund used the aggregate proceeds of the capital contributed to it and the Leverage Loan to make a \$16,490,000 contribution of capital to LVCIC SUB-CDE IV, LLC (the “CDE”), which investment is expected to constitute a Qualified Equity Investment (QEI) (as that term is defined in Internal Revenue Code (IRC) Section 45D) that is eligible for the NMTC Program, in exchange for a 99.9% equity interest in the CDE. The CDE entered into agreements and made loans to East Las Vegas QALICB, Inc., in an aggregate principal amount of \$16,490,000. These proceeds were used to facilitate the construction of the East Las Vegas Library.

As a result, the Foundation recognized a \$11,335,600 note receivable that bears interest at 1.0% per annum. This note is payable in annual interest only payments through July 26, 2024, and annual principal and interest payments thereafter through July 25, 2045.

**LAS VEGAS-CLARK COUNTY LIBRARY DISTRICT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018, WITH SUMMARIZED INFORMATION FOR  
THE YEAR ENDED JUNE 30, 2017**

**NOTE 7 – NOTES RECEIVABLE AND NEW MARKETS TAX CREDIT TRANSACTIONS  
(CONTINUED)**

***MESQUITE LIBRARY***

On December 20, 2017, the Foundation loaned \$6,646,000 (the “Leverage Loan”) to Chase NMTC Mesquite Library Investment Fund, LLC (the Investment “Fund”). The Fund also received equity in the amount of \$3,354,000 from a tax credit investor, Chase Community Equity, LLC (“CCE”). The Fund used the aggregate proceeds of the capital contributed to it and the Leverage Loan to make a \$10,000,000 contribution of capital to Clearinghouse NMTC (Sub 52), LLC (the “CDE”), which investment is expected to constitute a Qualified Equity Investment (“QEI”) (as that term is defined in Internal Revenue Code (IRC) Section 45D) that is eligible for the New Markets Tax Credit (“NMTC”) Program, in exchange for a 99.9% equity interest in the CDE. The CDE entered into agreements and made loans to Mesquite QALICB, Inc., in an aggregate principal amount of \$9,800,000. These proceeds were used to facilitate the construction of the Mesquite Library and rehabilitation of the existing structure that will provide related community services including literacy improvement and workforce training.

As a result, the Foundation recognized a \$6,646,000 note receivable that bears interest at 1.474424% per annum. This note is payable in quarterly interest only payments through September 15, 2024, and quarterly principal and interest payments thereafter through December 19, 2043.

**NOTE 8 –SUBSEQUENT EVENTS**

Management has performed a search for, and determined there were no events subsequent to June 30, 2018, requiring accounting recognition or disclosure through November 2, 2018, the date the accompanying financial statements were available for issuance.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), effective for years beginning after December 15, 2017. ASU 2016-14 requires not-for-profits to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. ASU 2016-14 also requires enhanced disclosures relating to the natural and functional classification expenses and donor-restricted net assets and liquidity. The Foundation is required to and will adopt this standard for the year ended June 30, 2019. Management has completed its assessment of this standard and determined that while it will have a significant effect on the Foundation’s financial statement presentation, it will not have a material effect on the Foundation’s net assets or changes therein.