



**PIONEER**  
LIBRARY SYSTEM  
FOUNDATION

Audit of Financial Statements

For the Year Ended June 30, 2017 and 2016

Pioneer Library System Foundation  
Index  
June 30, 2017 and 2016

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### INDEPENDENT AUDITORS' REPORT

October 4, 2017

To the Board of Directors of  
Pioneer Library System Foundation  
Norman, Oklahoma

We have audited the accompanying financial statements of Pioneer Library System Foundation (a nonprofit Organization) a component unit of Pioneer Library System which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets 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.

#### **Auditors' 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 of 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



America Counts on CPAs

To the Board of Directors of  
Pioneer Library System Foundation  
October 4, 2017

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 Pioneer Library System Foundation as of June 30, 2017 and 2016, 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.

GRAY, BLODGETT & COMPANY, PLLC

*Gray, Blodgett & Company, PLLC*

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 327,484	\$ 332,732
Grants receivable	60,672	37,928
Pledges receivable	5,498	3,091
Accrued interest receivable	80	88
Beneficial interest in asset held by others	<u>34,977</u>	<u>-</u>
 Total Assets	 <u>\$ 428,711</u>	 <u>\$ 373,839</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ <u>56,001</u>	\$ <u>5,439</u>
 Total Liabilities	 <u>56,001</u>	 <u>5,439</u>
Net Assets		
Unrestricted net assets:		
Board Designated for Endowment	5,000	-
Undesignated	<u>89,912</u>	<u>84,061</u>
Total Unrestricted Net Assets	94,912	84,061
Temporary Restricted Net Assets	249,419	284,339
Permanently Restricted Net Assets	<u>28,379</u>	<u>-</u>
 Total Net Assets	 <u>372,710</u>	 <u>368,400</u>
 Total Liabilities and Net Assets	 <u>\$ 428,711</u>	 <u>\$ 373,839</u>

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

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 49,031	\$ 524	\$ 28,379	\$ 77,934
Grants	-	204,016	-	204,016
Investment Income	1,415	-	-	1,415
Net Change in Beneficial Assets Held By Others	-	1,198	-	1,198
Miscellaneous Income	158	-	-	158
In-Kind Contributions	<u>3,495</u>	<u>-</u>	<u>-</u>	<u>3,495</u>
 Total Revenues	 <u>54,099</u>	 <u>205,738</u>	 <u>\$ 28,379</u>	 <u>288,216</u>
 Net Assets Released From Restriction	 <u>240,658</u>	 <u>(240,658)</u>	 <u>-</u>	 <u>-</u>
Expenses				
Program	279,527	-	-	279,527
General and administrative	<u>4,379</u>	<u>-</u>	<u>-</u>	<u>4,379</u>
 Total Expenses	 <u>283,906</u>	 <u>-</u>	 <u>-</u>	 <u>283,906</u>
 Change in net assets	 10,851	 (34,920)	 28,379	 4,310
Net assets, beginning of year	<u>84,061</u>	<u>284,339</u>	<u>-</u>	<u>368,400</u>
Net assets, end of year	<u>\$ 94,912</u>	<u>\$ 249,419</u>	<u>\$ 28,379</u>	<u>\$ 372,710</u>

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

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 42,798	\$ 1,708	\$ 44,506
Grants	-	194,070	194,070
Investment Income	926	-	926
Miscellaneous Income	40	-	40
In-Kind Contributions	<u>950</u>	<u>-</u>	<u>950</u>
Total Revenues	<u>44,714</u>	<u>195,778</u>	<u>240,492</u>
Net Assets Released From Restriction	<u>290,314</u>	<u>(290,314)</u>	<u>-</u>
Expenses			
Program	324,213	-	324,213
Fund raising	1,584	-	1,584
General and administrative	<u>3,921</u>	<u>-</u>	<u>3,921</u>
Total Expenses	<u>329,718</u>	<u>-</u>	<u>329,718</u>
Change in net assets	5,310	(94,536)	(89,226)
Net assets, beginning of year	<u>78,751</u>	<u>378,875</u>	<u>457,626</u>
Net assets, end of year	<u>\$ 84,061</u>	<u>\$ 284,339</u>	<u>\$ 368,400</u>

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

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 4,310	\$ (89,226)
Adjustments to reconcile net income (loss) to net cash provided (used ) by operating activities		
Net change in beneficial assets held by others	(1,198)	-
Contributions restricted for endowment	(28,379)	-
(Increase) decrease in receivables	(25,143)	273,382
Increase (decrease) in payables	<u>50,562</u>	<u>5,204</u>
Net Cash Provided (Used) by Operating Activities	<u>152</u>	<u>189,360</u>
Beneficial interest in assets held by others	(28,779)	-
Board Contribution to beneficial interest in assets held by others	<u>(5,000)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(33,779)</u>	<u>-</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowment	<u>28,379</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>28,379</u>	<u>-</u>
Net increase (decrease) in cash	(5,248)	189,360
Cash, beginning of year	<u>332,732</u>	<u>143,372</u>
Cash, end of year	<u>\$ 327,484</u>	<u>\$ 332,732</u>

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

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

Note 1 - Organization

The Pioneer Library System Foundation (The Foundation) was incorporated on October 7, 2009.

The purpose of the Foundation is to support, promote, and improve the programs, collections, facilities and services of the Pioneer Library System (Library). The Pioneer Library System serves communities in Cleveland, McClain and Pottawatomie counties in Oklahoma. The Foundations primary source of funding is grants and donations. The Foundation is a component unit of the Pioneer Library System and is included in the financial statements of the Library.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements are prepared on the accrual basis of accounting and include all material amounts receivable and payable, and all other significant liabilities and prepaid expenses of the funds reported.

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958), Financial Statements of Not-for-Profit Organizations; the Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation does not imply time restrictions on gifts of long-lived assets. Permanently restricted net assets in the amount of \$28,379 were held by the Foundation for the year ended June 30, 2017. There were no permanently restricted net assets held by the Foundation for the year ended June 30, 2016.

Cash and Cash Equivalents – The Foundation considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what maturity the period, to be cash. At June 30, 2017 and 2016, cash equivalents consisted of cash.

Grant Revenues – Grant revenues are recognized in revenue when earned based on performing conditional requirements as stated in the related grant agreement, if any.

Receivables – The Foundation makes no allowance for doubtful accounts, as all amounts are considered collectible. The Foundation writes off doubtful accounts in the period collectability becomes questionable. For the year ended June 30, 2017, the Foundation wrote off \$833 in pledges receivable.

Capital Assets – The Foundation did not acquire any depreciable assets during the fiscal years ended June 30, 2017 and June 30, 2016.

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

Fair Market Value Measurement – Fair Value is defined as “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.”

Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices for identical assets or liabilities that are observable in the market place. For example, Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices are observable for the asset or liability (such as interest rates and yield curves, volatilities, prepayment speed, loss severities, credit risks, and default rates), and market-corroborated inputs.

Level 3 – Inputs that are unobservable (supported by little or no market activity) and are significant to the fair value measurement. Unobservable inputs reflect the Foundation’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial assets and liabilities carried at fair value on a recurring basis include beneficial interest assets held by others. The Foundation has no financial assets or liabilities carried at fair value on a non-recurring basis in 2017 and 2016.

Contributions – In accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

FASB ASC 958-605-25-16 states that for the value of donated services to be recognized in the financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) require specialized skills that would be purchased if they were not donated. The Foundation received services from volunteers that form an integral part of the efforts of the Foundation as it presently exists. If not for volunteers, these services would have to be performed by paid personnel in order for the Foundation to continue its current level of operations. The Foundation controls the duties of the service donors including time, location, nature and performance and has a clearly measurable basis for the amount listed. However, since the services are not specialized and do not create or enhance a nonfinancial asset, the amounts have not been recorded in these financial statements.

In-Kind Donations – The Foundation records the value of donated items when there is an objective basis available to measure their value. Donated items are reflected as in-kind contributions in the accompanying statements at their estimated value at the date of receipt.

Volunteers regularly donate their time to the Foundation’s program services. No value for these volunteer hours has been recorded in the statement of activities.

PIONEER LIBRARY SYSTEM FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017 AND 2016

Income Tax Status - The Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal or state income taxes had been recorded. There was no interest or penalties to the Internal Revenue Service included in these financial statements. The Foundation's tax returns are generally subject to examination by the Internal Revenue Service and the State of Oklahoma for a period of three years from the date they are to be filed.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Subsequent events have been evaluated through the issuance date of this report and no significant events were noted.

Note 3 – Cash

The Foundation maintains cash balances at a financial institution in Norman, Oklahoma. The Federal Deposit Insurance Corporation insures balances at each institution up to \$250,000. The Foundation had an under-insured balance of \$77,740 at June 30, 2017. Management of the Foundation does not believe that there is any significant risk associated with the concentrations of credit. At June 30, 2016 the Foundation's bank balance had an under-insured balance of \$109,620.

Note 4 – Grants Receivable

The Foundation submits requests for reimbursement to grantors for certain grant funds. As of June 30, 2017 and 2016, the Foundation had outstanding requests for reimbursements and accruals due from the following:

	<u>2017</u>	<u>2016</u>
Norman Arts Council	\$ 26,538	\$ 14,100
Oklahoma Department of Libraries	20,409	17,267
Oklahoma Arts Council	5,500	5,750
Pioneer Library System	8,225	811
Total	\$ 60,672	\$ 37,928

All amounts were considered collectible at June 30, 2017 and 2016.

Note 5 – Beneficial Interest in Assets Held by Others

The Foundation transferred funds to the Communities Foundation of Oklahoma, Inc. (CFO) and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to the Foundation according to the CFO's distribution policy. The CFO maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar

PIONEER LIBRARY SYSTEM FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
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purposes in the community. There were no distributions received by the Foundation from these funds for the year ended June 30, 2017.

The CFO maintains legal ownership of the funds. However, accounting principles generally accepted in the United States of America require the Foundation to reflect its beneficial interest in these assets in its financial statements. At June 30, 2017, assets transferred to the CFO by the Foundation had a fair value of \$34,977.

In addition to the funds discussed above, the CFO maintains other funds that have been contributed by various donors to the CFO for the benefit of the Foundation. These funds are not included in the assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the CFO's spending policy. There were no distributions received by the Foundation from these funds for the year ended June 30, 2017.

At June 30, 2017, the fair value of the funds originally donated by third parties was \$28,379. The CFO provided \$5,439 in matching funds to the funds the Foundation transferred to the CFO. The value of these matching funds at June 30, 2017 was \$5,721. The Foundation has no remainder interest in the corpus of these funds.

Note 6 – Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of assets and liabilities reported at fair market value in the accompanying financial statements.

Beneficial interest in assets held by others: The Foundation believes fair value of the future cash flows to be received from its beneficial interest in assets held by others approximates the fair value of the underlying assets held by the CFO, which primarily includes a diversified portfolio of marketable securities. Since there is no market for similar assets (i.e., beneficial interest in assets held by others), the assets are not transferable, and the value recorded by the Foundation represents estimated future cash flows to be received from the CFO, the Foundation classifies its beneficial interest in the asset held by the CFO as Level 2.

The Foundation has no liabilities measured at fair value. As of June 30, 2017, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

<u>2017</u>	<u>Level 2</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ 34,977	\$ 34,977
Total assets accounted for at Fair Value	<u>\$ 34,977</u>	<u>\$ 34,977</u>

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

Change in the fair value of the Foundation’s Level 2 financial assets, beneficial interest in assets held by the other for the year ending June 30, 2017 is as follows:

	<u>2017</u>
Balance at the beginning of year	\$ -
Contributions	33,779
Net Investment Performance	1,198
Distributions to the Foundation	<u>-</u>
Balance at end of year	<u>\$ 34,977</u>

The summary of changes in fair value of Level 2 assets has been prepared to reflect the activity in the same categories as those provided to the Foundation by the CFO. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees and is included in change in value of beneficial interest in assets held by others in the statement of activities. Distributions from the CFO decrease the Foundation’s beneficial interest and increase cash at the time of distribution.

Note 7 – Endowment

The Foundation’s endowments as of June 30, 2017 consist of a beneficial interest in assets held by others with the Communities Foundation of Oklahoma which was created through donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation follows the Accounting Standards Codification’s guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The State of Oklahoma enacted the Uniform Prudent Management of Institutional Funds Act (“OK UPMIFA”) effective November 1, 2007.

The Board of Directors of the Foundation has interpreted OK UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the funds are appropriated for spending in accordance with spending policies.

PIONEER LIBRARY SYSTEM FOUNDATION  
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In accordance with OK UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Foundation.

- (1) The duration and preservation of the fund;
- (2) The purpose of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation

Endowment net assets composition by type of fund as of June 30, 2017 and changes in endowment net assets for the year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
Beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions	5,400	-	28,379	33,779
Investment return	217	1,141	-	1,358
Investment management fees	<u>(26)</u>	<u>(134)</u>	<u>-</u>	<u>(160)</u>
Endowment net assets				
End of year	<u>\$ 5,591</u>	<u>\$ 1,007</u>	<u>\$ 28,379</u>	<u>\$ 34,977</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, if deficiencies of this nature are present, they will be reported in unrestricted net assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has adopted the investment and spending policies of the Communities Foundation of Oklahoma for the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

Note 8 – Temporarily Restricted Net Assets

Temporarily restricted net assets included cash and receivables at June 30, 2017 and 2016 and are restricted by the donor for the following purposes:

	<u>2017</u>	<u>2016</u>
Books and other reading materials	\$ 190,947	\$ 224,631
System wide programming	<u>58,472</u>	<u>59,708</u>
Total temporarily restricted net assets	<u>\$ 249,419</u>	<u>\$ 284,339</u>

Note 9 – Related Party Transactions

The Foundation has a fiduciary relationship with the Library, whereby the Foundation seeks public and private support on behalf of the library.

The Library provides office space for Foundation activities, as well as, handling the day to day operations of the Foundation. The Foundation has an agreement to reimburse the Library \$1,000 annually for these services.