



Audit of Financial Statements

For the Year Ended June 30, 2020 and 2019

Pioneer Library System Foundation  
Index  
June 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

October 30, 2020

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, 2020 and 2019 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 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.

To the Board of Directors of  
Pioneer Library System Foundation  
October 30, 2020

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, 2020 and 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.

GRAY, BLODGETT & COMPANY, PLLC  
*Gray, Blodgett & Company, PLLC*

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

|                                             | <u>2020</u>       | <u>2019</u>       |
|---------------------------------------------|-------------------|-------------------|
| ASSETS                                      |                   |                   |
| Cash, restricted cash and cash equivalents  | \$ 246,584        | \$ 222,393        |
| Grants receivable                           | 3,134             | 8,638             |
| Pledges receivable                          | 3,330             | 7,201             |
| Accrued interest receivable                 | 45                | 368               |
| Beneficial interest in asset held by others | <u>55,824</u>     | <u>51,105</u>     |
| Total Assets                                | <u>\$ 308,917</u> | <u>\$ 289,705</u> |
| LIABILITIES AND NET ASSETS                  |                   |                   |
| Liabilities                                 |                   |                   |
| Accounts Payable                            | <u>\$ 8,361</u>   | <u>\$ 24,506</u>  |
| Total Liabilities                           | <u>8,361</u>      | <u>24,506</u>     |
| Net Assets                                  |                   |                   |
| Without donor restrictions                  | 171,499           | 166,902           |
| With donor restrictions                     | <u>129,057</u>    | <u>98,297</u>     |
| Total Net Assets                            | <u>300,556</u>    | <u>265,199</u>    |
| Total Liabilities and Net Assets            | <u>\$ 308,917</u> | <u>\$ 289,705</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, 2020

|                                                | Without Donor<br><u>Restrictions</u> | With Donor<br><u>Restrictions</u> | <u>Total</u>      |
|------------------------------------------------|--------------------------------------|-----------------------------------|-------------------|
| Revenues                                       |                                      |                                   |                   |
| Contributions                                  | \$ 58,242                            | \$ 16,938                         | \$ 75,180         |
| Grants                                         | -                                    | 101,556                           | 101,556           |
| Investment Income                              | 3,519                                | -                                 | 3,519             |
| Net Change in Beneficial Assets held by others | 127                                  | 578                               | 705               |
| In-Kind Contributions                          | <u>450</u>                           | <u>-</u>                          | <u>450</u>        |
| Total Revenues                                 | <u>62,338</u>                        | <u>119,072</u>                    | <u>181,410</u>    |
| Net Assets Released From Restriction           | <u>88,312</u>                        | <u>(88,312)</u>                   | <u>-</u>          |
| Expenses                                       |                                      |                                   |                   |
| Programs                                       | 144,145                              | -                                 | 144,145           |
| Management and General                         | 1,458                                | -                                 | 1,458             |
| Fundraising                                    | <u>450</u>                           | <u>-</u>                          | <u>450</u>        |
| Total Expenses                                 | <u>146,053</u>                       | <u>-</u>                          | <u>146,053</u>    |
| Change in net assets                           | 4,597                                | 30,760                            | 35,357            |
| Net assets, beginning of year                  | <u>166,902</u>                       | <u>98,297</u>                     | <u>265,199</u>    |
| Net assets, end of year                        | <u>\$ 171,499</u>                    | <u>\$ 129,057</u>                 | <u>\$ 300,556</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, 2019

|                                                | <u>Without Donor</u><br><u>Restrictions</u> | <u>With Donor</u><br><u>Restrictions</u> | <u>Total</u>             |
|------------------------------------------------|---------------------------------------------|------------------------------------------|--------------------------|
| Revenues                                       |                                             |                                          |                          |
| Contributions                                  | \$ 66,150                                   | \$ 28,798                                | \$ 94,948                |
| Grants                                         | -                                           | 70,096                                   | 70,096                   |
| Investment Income                              | 6,701                                       | -                                        | 6,701                    |
| Net Change in Beneficial Assets held by others | 71                                          | 306                                      | 377                      |
| Miscellaneous Income                           | 275                                         | -                                        | 275                      |
| In-Kind Contributions                          | <u>960</u>                                  | <u>-</u>                                 | <u>960</u>               |
| Total Revenues                                 | <u>74,157</u>                               | <u>99,200</u>                            | <u>173,357</u>           |
| Net Assets Released From Restriction           | <u>117,208</u>                              | <u>(117,208)</u>                         | <u>-</u>                 |
| Expenses                                       |                                             |                                          |                          |
| Programs                                       | 159,152                                     | -                                        | 159,152                  |
| Management and General                         | 1,497                                       | -                                        | 1,497                    |
| Fundraising                                    | <u>450</u>                                  | <u>-</u>                                 | <u>450</u>               |
| Total Expenses                                 | <u>161,099</u>                              | <u>-</u>                                 | <u>161,099</u>           |
| Change in net assets                           | 30,266                                      | (18,008)                                 | 12,258                   |
| Net assets, beginning of year                  | <u>136,636</u>                              | <u>116,305</u>                           | <u>252,941</u>           |
| Net assets, end of year                        | <u><u>\$ 166,902</u></u>                    | <u><u>\$ 98,297</u></u>                  | <u><u>\$ 265,199</u></u> |

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

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

|                                 | <u>Programs</u>   | Management<br><u>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|---------------------------------|-------------------|----------------------------------|--------------------|-------------------|
| Grants - Program Presenters     | \$ 39,724         | \$ -                             | \$ -               | \$ 39,724         |
| Grants - Materials for Programs | 47,987            | -                                | -                  | 47,987            |
| Gifts - Program Presenters      | 16,975            | -                                | -                  | 16,975            |
| Gifts - Materials for Programs  | 39,459            | -                                | -                  | 39,459            |
| Bad Debt Expense                | -                 | 186                              | -                  | 186               |
| In-Kind Donations               | -                 | -                                | 450                | 450               |
| Occupancy Expense               | -                 | 1,000                            | -                  | 1,000             |
| Miscellaneous Expense           | -                 | 272                              | -                  | 272               |
| Total Expenses                  | <u>\$ 144,145</u> | <u>\$ 1,458</u>                  | <u>\$ 450</u>      | <u>\$ 146,053</u> |

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

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

|                                 | <u>Programs</u>   | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|---------------------------------|-------------------|-----------------------------------|--------------------|-------------------|
| Grants - Program Presenters     | \$ 59,509         | \$ -                              | \$ -               | \$ 59,509         |
| Grants - Materials for Programs | 57,455            | -                                 | -                  | 57,455            |
| Gifts - Program Presenters      | 10,575            | -                                 | -                  | 10,575            |
| Gifts - Materials for Programs  | 30,998            | -                                 | -                  | 30,998            |
| Bad Debt Expense                | -                 | 299                               | -                  | 299               |
| In-Kind Donations               | 510               | -                                 | 450                | 960               |
| Occupancy Expense               | -                 | 1,000                             | -                  | 1,000             |
| Miscellaneous Expense           | 105               | 198                               | -                  | 303               |
| Total Expenses                  | <u>\$ 159,152</u> | <u>\$ 1,497</u>                   | <u>\$ 450</u>      | <u>\$ 161,099</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, 2020 AND 2019

|                                                                                                       | <u>2020</u>       | <u>2019</u>       |
|-------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows From Operating Activities                                                                  |                   |                   |
| Change in net assets                                                                                  | \$ 35,357         | \$ 12,258         |
| Adjustments to reconcile net income (loss)<br>to net cash provided (used ) by operating<br>activities |                   |                   |
| Non-cash changes in beneficial assets held by others                                                  | (705)             | (2,092)           |
| (Increase) decrease in receivables                                                                    | 9,698             | 29,037            |
| Increase (decrease) in payables                                                                       | <u>(16,145)</u>   | <u>(3,603)</u>    |
| Net Cash Provided (Used) by Operating Activities                                                      | <u>28,205</u>     | <u>35,600</u>     |
| Cash Flows From Investing Activities                                                                  |                   |                   |
| Beneficial interest in assets held by others                                                          | -                 | 1,715             |
| Board Contribution to beneficial interest in assets<br>held by others                                 | <u>(4,014)</u>    | <u>(13,082)</u>   |
| Net Cash Provided (Used) by Investing Activities                                                      | <u>(4,014)</u>    | <u>(11,367)</u>   |
| Net increase (decrease) in cash                                                                       | 24,191            | 24,233            |
| Cash, restricted cash and cash equivalents<br>beginning of year                                       | <u>222,393</u>    | <u>198,160</u>    |
| Cash, restricted cash and cash equivalents<br>end of year                                             | <u>\$ 246,584</u> | <u>\$ 222,393</u> |

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

**PIONEER LIBRARY SYSTEM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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.

Financial Statement Presentation - 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 based on the existence or absence of donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the action of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Foundation does not imply time restrictions on gifts of long-lived assets. Permanently restricted net assets in the amount of \$43,897 and \$40,178 were held by the Foundation for the year ended June 30, 2020 and 2019 respectively.

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, 2020 and 2019, cash equivalents consisted of cash.

**PIONEER LIBRARY SYSTEM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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, 2020 and 2019, the Foundation wrote off \$186 and \$299 in pledges receivable, respectively.

Capital Assets – The Foundation did not acquire any depreciable assets during the fiscal years ended June 30, 2020 and 2019.

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 in assets held by others. The Foundation has no financial assets or liabilities carried at fair value on a non-recurring basis in 2020 or 2019.

Contributions – 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

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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.

Functional Expenses – The costs of providing program and other cost activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include in-kind donations and miscellaneous. The method of allocation used for both of these expenses was time and effort.

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.

Adoption of new accounting pronouncement – In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of cash flows (Topic 230): Restricted Cash*. This standard changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted cash equivalents (Cash) in the statement of cash flows. The standard requires that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. The amendment has been applied retrospectively to all periods presented. There was no effect on net assets and no changes affecting 2020 or 2019.

**PIONEER LIBRARY SYSTEM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

Subsequent Events – Subsequent events have been evaluated through the issuance date of this report. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

On Sunday March 15th the Pioneer Library System and its discretely presented component unit, the Pioneer Library System Foundation, closed all their facilities to the public. In addition, on March 26, 2020 the Oklahoma Governor Kevin Stitt ordered the closure of the physical location of every “non-essential” business for what was an extended period of time. There was an immediate impact to the operations with all full-time employees working remotely. We continued to pay those hourly employees who were not working remotely through April.

On May 5th the Pioneer Library System and Foundation reopened for staff to return to work in phases. The phases include teams with specific work times, a gradual increase the onsite personnel, and reopening to the public. The phase in processes is ongoing.

All of the effects of these issues are unknown at this time. Because the Library is substantially funded through ad valorem taxes, the Library itself has not suffered any significant decreases in revenue streams to date. However, several Foundation programs that were planned to occur during this time either did not occur or were converted to a digital format. In some instances, funding was already awarded to these programs. For example, the Anne and Henry Zarrow Foundation awarded \$10,000 in support of Summer Learning Programs and PLS Reads. As a result of COVID-19, all summer programming was either canceled or conducted virtually and therefore several PLS Reads events did not occur. The Anne and Henry Zarrow Foundation approved reallocating the funding toward any reading or book distribution programs.

The Foundation also received several health literacy grants from the Oklahoma Department of Libraries. Several of the programs funded by these grants were not held and the Foundation worked with the Oklahoma Department of Libraries to repurpose these funds.

The Foundation received a reimbursable grant of \$2,000 from the Norman Arts Council (NAC) for the Norman Public Library West to host Jazz in June events onsite. However, due to COVID-19 Jazz in June was originally postponed until September, and then recently it was decided it would become a virtual event series. Due to this decision and the fact that the Norman Public Library will not host in person programming in September, The Foundation will not receive any funds for Jazz in June. During January of 2020, The Foundation applied for two grants from the NAC to fund its Jazz in June and Black History month programs for 2021 for \$2,400 and \$4,600 respectively. These grants have traditionally been funded annually. However, the outcome is unknown due to a short fall in funding collected by the NAC.

The Foundation had to cancel its Touch a Truck fund raiser this upcoming fall due to COVID-19. In 2019-2020 this event brought in more than \$10,000 in donations. The other planned fundraiser in the fall is transitioning into an online format with an emphasis on sponsorships and giving during the event as attendance will be free of charge.

The Foundation was unable to hold a concerted PLS employee campaign during the spring of 2020. An email appeal was sent out acknowledging there was not going to be a campaign but still encouraging employees to donate if possible. While \$3,500 was raised this was short of last year’s campaign which raised more than \$12,000.

**PIONEER LIBRARY SYSTEM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

Hitachi Ventara traditionally donates \$6,000 to PLS Summer Learning Programs. The Foundation hasn't received this donation.

The Foundation extended the deadline for PLS branch libraries to expend the grant funds they received from the Foundation until December 31st.

**Note 3 – Liquidity and Availability**

The following represents the Foundation's financial assets at June 30, 2020 and 2019:

| Financial assets at year end:                                                       | <u>2020</u>       | <u>2019</u>       |
|-------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents                                                           | \$ 246,584        | \$ 222,393        |
| Grants receivable                                                                   | 3,134             | 8,638             |
| Contributions receivable                                                            | 3,330             | 7,201             |
| Accrued interest receivable                                                         | 45                | 368               |
| Investments                                                                         | <u>55,824</u>     | <u>51,105</u>     |
| Total Financial Assets                                                              | 308,917           | 289,705           |
|                                                                                     |                   |                   |
| Less amounts not available to be used within one year:                              |                   |                   |
| Net assets with donor restrictions                                                  | (129,057)         | (98,297)          |
| Endowment established by the board                                                  | <u>(9,608)</u>    | <u>(9,187)</u>    |
|                                                                                     |                   |                   |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 170,252</u> | <u>\$ 182,221</u> |

The Foundation's goal is to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is held in an interest bearing checking account.

**Note 4 – 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. There were no uninsured funds at June 30, 2020 or 2019.

**Note 5 – Grants Receivable**

The Foundation submits requests for reimbursement to grantors for certain grant funds. As of June 30, 2020 and 2019, the Foundation had outstanding requests for reimbursements and accruals due from the following:

|                        | <u>2020</u>     | <u>2019</u>     |
|------------------------|-----------------|-----------------|
| Norman Arts Council    | \$ 2,000        | \$ 2,000        |
| First United Bank      | -               | 2,500           |
| Pioneer Library System | <u>1,134</u>    | <u>4,138</u>    |
|                        |                 |                 |
| Total                  | <u>\$ 3,134</u> | <u>\$ 8,638</u> |

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

All amounts were considered collectible at June 30, 2020 and 2019.

Note 6 – 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 purposes in the community. The Foundation received a distribution of \$0 and \$1,715 from these funds for the year ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019, assets transferred to the CFO by the Foundation had a fair value of \$55,824 and \$51,105 respectively.

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. The Foundation received a distribution of \$295 and \$282 from these funds for the year ended June 30, 2020 and 2019 respectively.

At June 30, 2017, the Foundation met the match requirement of \$25,000 and received a \$5,000 match from the CFO. The value of these matching funds at June 30, 2020 and 2019 was \$6,643 and \$6,552 respectively. The Foundation has no remainder interest in the corpus of these funds.

Note 7 – 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 fair value of the beneficial interest in assets held by the CFO is based on the fair value of fund investments as reported by the CFO. Since there is no market value for similar assets (i.e., beneficial interest in assets held by others), these are considered to be Level 3 measurements.

The Foundation has no liabilities measured at fair value. As of June 30, 2020 and 2019, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

| <u>2020</u>                        | <u>Level 3</u>   | <u>Total</u>     |
|------------------------------------|------------------|------------------|
| Beneficial interest in assets held |                  |                  |
| by others                          | \$ 55,824        | \$ 55,824        |
| Total assets accounted for         |                  |                  |
| at Fair Value                      | <u>\$ 55,824</u> | <u>\$ 55,824</u> |

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| <u>2019</u>                                     | <u>Level 3</u>   | <u>Total</u>     |
|-------------------------------------------------|------------------|------------------|
| Beneficial interest in assets held<br>by others | \$ 51,105        | \$ 51,105        |
| Total assets accounted for<br>at Fair Value     | <u>\$ 51,105</u> | <u>\$ 51,105</u> |

Change in the fair value of the Foundation's Level 3 financial assets, beneficial interest in assets held by the other for the year ending June 30, 2020 and 2019 is as follows:

|                                  | <u>2020</u>      | <u>2019</u>      |
|----------------------------------|------------------|------------------|
| Balance at the beginning of year | \$ 51,105        | \$ 37,646        |
| Contributions                    | 4,014            | 13,082           |
| Net Investment Performance       | 705              | 2,092            |
| Distributions to the Foundation  | <u>-</u>         | <u>(1,715)</u>   |
| Balance at end of year           | <u>\$ 55,824</u> | <u>\$ 51,105</u> |

The summary of changes in fair value of Level 3 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 8 – Endowment

The Foundation's endowments 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 net assets with restrictions until the funds are appropriated for spending in accordance with spending policies.

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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, 2020 and 2019, and changes in endowment net assets for the years ended June 30, 2020 and 2019 is as follows:

|                            | <u>Without Donor<br/>Restriction</u> | <u>With Time/Purpose<br/>Donor Restriction</u> | <u>With Perpetual<br/>Donor Restriction</u> | <u>Total</u>     |
|----------------------------|--------------------------------------|------------------------------------------------|---------------------------------------------|------------------|
| Endowment net assets       |                                      |                                                |                                             |                  |
| Beginning of year          | \$ 9,186                             | \$ 1,741                                       | \$ 40,178                                   | \$ 51,105        |
| Contributions              | 295                                  | -                                              | 3,719                                       | 4,014            |
| Investment return          | 222                                  | 1,010                                          | -                                           | 1,232            |
| Investment management fees | (95)                                 | (432)                                          | -                                           | (527)            |
| Endowment net assets       |                                      |                                                |                                             |                  |
| End of year                | <u>\$ 9,608</u>                      | <u>\$ 2,319</u>                                | <u>\$ 43,897</u>                            | <u>\$ 55,824</u> |
|                            |                                      |                                                |                                             |                  |
|                            | <u>Without Donor<br/>Restriction</u> | <u>With Time/Purpose<br/>Donor Restriction</u> | <u>With Perpetual<br/>Donor Restriction</u> | <u>Total</u>     |
| Endowment net assets       |                                      |                                                |                                             |                  |
| Beginning of year          | \$ 7,118                             | \$ 1,435                                       | \$ 29,093                                   | \$ 37,646        |
| Contributions              | 1,997                                |                                                | 11,085                                      | 13,082           |
| Investment return          | 475                                  | 2,026                                          | -                                           | 2,501            |
| Investment management fees | (78)                                 | (331)                                          | -                                           | (409)            |
| Distributions              | (326)                                | (1,389)                                        | -                                           | (1,715)          |
| Endowment net assets       |                                      |                                                |                                             |                  |
| End of year                | <u>\$ 9,186</u>                      | <u>\$ 1,741</u>                                | <u>\$ 40,178</u>                            | <u>\$ 51,105</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 net assets without donor restriction.

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.

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Note 9 – Net assets with donor restriction

Total net assets with donor restriction as of June 30, 2020 and 2019 are as follows:

|                                         | <u>2020</u>       | <u>2019</u>      |
|-----------------------------------------|-------------------|------------------|
| Purpose restricted net assets           | \$ 935            | \$ 3,936         |
| Time restricted net assets              | 84,225            | 54,183           |
| Perpetually restricted net assets       | <u>43,897</u>     | <u>40,178</u>    |
| Total net assets with donor restriction | <u>\$ 129,057</u> | <u>\$ 98,297</u> |

Net assets restricted in perpetuity consist of endowment funds restricted by donors. Earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation and are included above as endowment purpose funds.

Net assets as of June 30, 2020 and 2019 restricted by the donor with purposes restrictions:

|                                   | <u>2020</u>   | <u>2019</u>     |
|-----------------------------------|---------------|-----------------|
| Books and other reading materials | <u>\$ 935</u> | <u>\$ 3,936</u> |

Net assets as of June 30, 2020 and 2019 that are time restricted:

|                        | <u>2020</u>      | <u>2019</u>      |
|------------------------|------------------|------------------|
| System wide programing | <u>\$ 84,225</u> | <u>\$ 54,183</u> |

Note 10 – 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.

The Foundation had payables due to the Library System in the amount of \$2,645 and \$20,512 at June 30, 2020 and 2019 respectively.