

THE LIBRARY FOUNDATION FOR
SARASOTA COUNTY, INC.
SARASOTA, FLORIDA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016

PRELIMINARY
FOR DISCUSSION
PURPOSES ONLY
DO NOT PHOTOCOPY

THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

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August , 2017

Board of Directors
The Library Foundation for Sarasota County, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of The Library Foundation for Sarasota County, Inc. (a nonprofit organization) which comprise the Statement of Financial Position as of December 31, 2016, and the related Statement of Activities and Changes in Net Assets, and Statement of Cash Flows for the 12 month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 evaluation 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.

Board of Directors
The Library Foundation for Sarasota County, Inc.
August , 2017

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Library Foundation for Sarasota County, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the 12 month period then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Administrative, Program and Fundraising Expenses on page 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hough & Company, P.A.
Certified Public Accountants

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THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 282 257	\$ 98 605	\$ 380 862
Endowment fund	489 151	-0-	489 151
Investment fund	206 524	-0-	206 524
Prepaid expenses	<u>1 303</u>	<u>5 498</u>	<u>6 801</u>
TOTAL ASSETS	<u>\$ 979 235</u>	<u>\$ 104 103</u>	<u>\$ 1 083 338</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	<u>352</u>	<u>-0-</u>	<u>352</u>
TOTAL LIABILITIES	352	-0-	352
NET ASSETS	<u>978 883</u>	<u>104 103</u>	<u>1 082 986</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 979 235</u>	<u>\$ 104 103</u>	<u>\$ 1 083 338</u>

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

THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Support:			
Private and foundations	\$ 426 582	\$ 96 025	\$ 522 607
Special events	213 236	-0-	213 236
Interest and dividends	9 947	-0-	9 947
Realized gain / (loss) on endowment	21 709	-0-	21 709
Unrealized gain / (loss) on endowment	(5 896)	-0-	(5 896)
Realized gain / (loss) on investment	4 428	-0-	4 428
Unrealized gain / (loss) on investment	6 333	-0-	6 333
Net assets released from restrictions:			
Donor restrictions satisfied	65 325	(65 325)	-0-
	<u>741 664</u>	<u>30 700</u>	<u>772 364</u>
TOTAL REVENUES AND OTHER SUPPORT			
	<u>741 664</u>	<u>30 700</u>	<u>772 364</u>
EXPENSES:			
Administrative expenses	79 026	-0-	79 026
Program expenses	221 303	-0-	221 303
	<u>300 329</u>	<u>-0-</u>	<u>300 329</u>
TOTAL EXPENSES			
	<u>300 329</u>	<u>-0-</u>	<u>300 329</u>
CHANGE IN NET ASSETS	441 335	30 700	472 035
NET ASSETS, BEGINNING OF YEAR	<u>537 548</u>	<u>73 403</u>	<u>610 951</u>
NET ASSETS, END OF YEAR	\$ <u><u>978 883</u></u>	\$ <u><u>104 103</u></u>	\$ <u><u>1 082 986</u></u>

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THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 441 335	\$ 30 700	\$ 472 035
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Realized (gain) / loss in endowment fund	(21 709)	-0-	(21 709)
Unrealized (gain) / loss in endowment fund	5 896	-0-	5 896
Realized (gain) / loss in investment fund	(4 428)	-0-	(4 428)
Unrealized (gain) / loss in investment fund	(6 333)	-0-	(6 333)
(Increase) / decrease in prepaid expenses	(2 869)	-0-	(2 869)
(Decrease) / increase in accounts payable	352	-0-	352
NET CASH (USED) / PROVIDED BY OPERATING ACTIVITIES	<u>412 244</u>	<u>30 700</u>	<u>442 944</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Transfer (to) / from endowment fund	(260 465)	-0-	(260 465)
Earnings and expenses related to endowment fund	(6 955)	-0-	(6 955)
NET CASH (USED) / PROVIDED BY INVESTING ACTIVITIES	<u>(267 420)</u>	<u>-0-</u>	<u>(267 420)</u>
NET (DECREASE) / INCREASE IN CASH	144 824	30 700	175 524
CASH BALANCE - BEGINNING OF YEAR	<u>137 433</u>	<u>67 905</u>	<u>205 338</u>
CASH BALANCE - END OF YEAR	\$ <u>282 257</u>	\$ <u>98 605</u>	\$ <u>380 862</u>

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

NOTE 1 - NATURE OF ORGANIZATION

The Library Foundation for Sarasota County, Inc. (the Organization) is a not-for-profit corporation incorporated in the State of Florida on June 13, 2011. The mission is to secure the future of our libraries in the greater area of Sarasota County, as indispensable community resources. They accomplish this through the donation of gifts and by raising private funds. These funds help the libraries acquire new technologies, present outstanding programs and provide up-to-date resources. An endowment has been created to ensure private support for the Sarasota County libraries in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESEstimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts 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.

Income Tax Exemption

The Library Foundation for Sarasota County, Inc. is exempt from federal income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

The Board of Directors have evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of December 31, 2016. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are open to examination by taxing authorities for the years ended December 31, 2013, 2014, 2015, and the current year's 2016 tax return, generally for three years after they were filed. There have been no tax examinations commenced during 2017 or through the date of these financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of Financial Accounting Standards Board Codification of ASC Topic 958 - Not-for-Profit Entities. Accordingly, the net assets of The Library Foundation for Sarasota County, Inc. are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets, as applicable.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. As of the balance sheet date, there were no permanently restricted assets.

Basis of Accounting

The financial statements of The Library Foundation for Sarasota County, Inc. have been prepared using the accrual basis of accounting.

THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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Advertising and Promotional

The Organization expenses advertising and promotional costs as incurred.

Revenue

The Library Foundation for Sarasota County, Inc. recognizes all contributed support received, (including grants) as income in the period for which the donor has stipulated. Any revenues received prior to the fiscal year to which they apply are not recognized as revenues until the year earned. Contributed support is reported as unrestricted or as temporarily restricted, depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires or the restrictive purpose 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.

Cash

Cash and time deposits maturing in less than one year are treated as cash equivalents.

Investments

Investments are carried at market value. Donated investments are recorded at market value on the date of donation and thereafter adjusted to market value at each statement date.

Fair Value of Financial Instruments

The Library Foundation for Sarasota County, Inc.'s financial instruments are cash and cash equivalents and accounts payable. The recorded values of cash and cash equivalents and accounts payable approximate their fair values based on their short-term nature.

Endowment Funds

The Library Foundation for Sarasota County, Inc. has entered into an agreement with The Community Foundation of Sarasota County (The Community Foundation) for the creation of the Organization's Endowment Funds. The primary purpose of these funds are to provide an endowment to support the programs and services of the Organization to carry out its role and mission as described by its bylaws. The funds are invested and used at the discretion of The Community Foundation. The receipts and disbursements are accounted for separately and apart from those of other organizations. Distributions of limited income and principal amounts are available to be paid quarterly, at the request of the Organization. As of the balance sheet date, the Organization has not withdrawn from the funds during the current period. At December 31, 2016, the balance held by The Community Foundation is \$ 344,850 for the Children's Literacy Fund and \$144,301 for the Library Foundation Fund.

Donated Services, Materials, and Facilities

The Library Foundation for Sarasota County, Inc. occupies an office located at 4780 Cattlemen Road, Sarasota, Florida under a one year lease ending December 31, 2017. The office is leased from Girl Scouts of Gulf Coast Florida. Rent of \$340 is paid by the Organization per month.

THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Library Foundation for Sarasota County, Inc. does not own any vehicles or equipment. The equipment consists of a computer that is included in the monthly subscription cost paid to Etapestry Donor Software. Furniture is supplied by the Girl Scouts from whom they rent the office space.

Maintenance and repairs are the responsibility of the Girl Scouts. Major renewals and betterments that materially increase asset lives are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses as follows:

Various projects & related costs	\$ <u>65 325</u>
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As of the Balance Sheet date, the remaining balance of temporarily restricted assets, were restricted as follows:

Various projects & related costs	\$ <u>104 103</u>
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NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Library Foundation for Sarasota County, Inc. maintains its cash in bank deposit accounts which, at times, may have balances that exceed the amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). During the year ended December 31, 2016, the organization had not accumulated any funds in excess of the FDIC limits.

The Organization has not experienced any losses in such accounts. Amounts listed in endowment and investment accounts (Notes 5 & 6) are not FDIC insured and therefore at risk.

NOTE 5 - ENDOWMENTS

The Library Foundation for Sarasota County, Inc. maintains two endowment funds with The Community Foundation of Sarasota County (The Community Foundation). The purpose of these endowments are to support the programs and services of the organization in carrying out its mission as described in its bylaws.

The Board of Directors (the B.O.D.) has interpreted the State Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the purchasing power of the Endowments. As well, under the Act, the B.O.D. may expend so much of the Endowments as they determine to be prudent for the uses and purposes for which the Endowments were established, consistent with the goal of conserving the purchasing power of the Endowments.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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NOTE 5 - ENDOWMENTS (CONTINUED)

As a result of this interpretation and the endowment agreements, the asset value (net of investment fees) of the endowments may be utilized for program expenses and are classified as unrestricted. The Community Foundation has the discretion to approve a request from the Organization for a grant or distribution in excess of the regular annual distribution as long as such request is in furtherance of the Organization's Charitable Mission.

The B.O.D. has adopted investment and spending policies for the Endowment assets that attempt to provide for a predictable stream of funding, while seeking to maintain the purchasing power of the Endowment assets over the long-term. Under this policy, as approved by the B.O.D. the Endowment assets are invested with the objective of growth with income, while assuming a moderate level of investment risk.

To satisfy its long-term objectives, The Library Foundation for Sarasota County, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in endowment net assets consist of the following for the year ended December 31, 2016:

	Children's Literacy Unrestricted	Library Foundation Unrestricted	Total
Endowment funds, beginning of year	\$ 102 996	\$ 134 086	\$ 237 082
Investment Return:			
Disbursement	-0-	-0-	-0-
Investment income	3 266	3 239	6 505
Investment fees	(1 652)	(413)	(2 065)
Realized gain (loss)	11 433	10 276	21 709
Unrealized gain (loss)	(3 008)	(2 888)	(5 896)
Total Investment Return	<u>10 039</u>	<u>10 215</u>	<u>20 254</u>
Contributions	<u>231 815</u>	<u>-0-</u>	<u>231 815</u>
Endowment funds, end of year	<u>\$ 344 850</u>	<u>\$ 144 301</u>	<u>\$ 489 151</u>

NOTE 6 - INVESTMENTS

The Library Foundation for Sarasota County, Inc. maintains an investment fund with Gulf Coast Community Foundation of Venice (GCCF). The purpose of this investment fund is to become operationally sustainable and support the programs and services of the organization in carrying out its mission as described in its bylaws. The fund is invested and used at the discretion of GCCF. The receipts and disbursements are accounted for separately and apart from those of other organizations. Distributions are available to be paid quarterly, at the request of the Organization. As of the balance sheet date, the Organization has not withdrawn from the funds during the current period. At December 31, 2016 the balance held by GCCF is \$ 206 524 and is reported on the statement of financial position.

To satisfy its long-term objectives, The Library Foundation for Sarasota County, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NOTE 6 - INVESTMENTS (CONTINUED)

Changes in investment net assets consist of the following for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Investment funds, beginning of year	\$ 164 598	\$ -0-	\$ 164 598
Investment Return:			
Disbursement	-0-	-0-	-0-
Investment income	3 442	-0-	3 442
Investment fees	(927)	-0-	(927)
Realized gain (loss)	4 428	-0-	4 428
Unrealized gain (loss)	6 333	-0-	6 333
Total Investment Return	<u>13 276</u>	<u>-0-</u>	<u>13 276</u>
Contributions	<u>28 650</u>	<u>-0-</u>	<u>28 650</u>
Investment funds, end of year	<u>\$ 206 524</u>	<u>\$ -0-</u>	<u>\$ 206 524</u>

The Library Foundation for Sarasota County, Inc. has implemented the accounting standard regarding fair value measurements. The standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 - Observable inputs other than level 1 prices, such as quoted active market prices for similar assets or liabilities, quoted prices for identical or similar assets in inactive markets, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments have been recorded at fair value using Level 1 inputs and consist of the following at December 31, 2016:

	Operating Fund	Endowment Fund	Total
100% Long Term Strategy Plan	\$ <u>206 524</u>	\$ <u>489 151</u>	\$ <u>695 675</u>

NOTE 7 - SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August ____, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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THE LIBRARY FOUNDATION FOR SARASOTA COUNTY, INC.
 SCHEDULES OF ADMINISTRATIVE, PROGRAM AND FUNDRAISING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

		<u>UNRESTRICTED</u>
ADMINISTRATIVE EXPENSES		
Administrative services	\$	14 051
Development expenses		17 269
Executive salary and expenses		26 954
Insurance		1 203
Rent		4 080
Other administrative expenses		7 545
Software leasing		2 388
Marketing		<u>5 536</u>
TOTAL ADMINISTRATIVE EXPENSES	\$	<u><u>79 026</u></u>
 PROGRAM EXPENSES		
Special events		69 454
Other program expenses		<u>151 849</u>
TOTAL PROGRAM EXPENSES	\$	<u><u>221 303</u></u>

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See Independent Auditors' Report.