



Louisville Free Public Library Foundation, Inc.

Louisville, Kentucky

Independent Auditors' Report

and Financial Statements

For The Years Ended

June 30, 2023 and 2022

Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisville Free Public Library Foundation, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Louisville Free Public Library Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Free Public Library Foundation, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisville Free Public Library Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisville Free Public Library Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures

include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Louisville Free Public Library Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisville Free Public Library Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baldwin CPAs, PLLC

Louisville, Kentucky
December 21, 2023

Louisville Free Public Library Foundation, Inc.
 Statements of Financial Position
 June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 62,129	\$ 308,978
Promises to give, net	108,795	33,440
Prepaid expenses	4,803	7,432
Due from employees	-	692
Investments	5,870,103	5,086,628
Investments - restricted	7,200,218	6,508,055
Beneficial interest in assets held by others	6,267,867	5,653,963
Furniture and equipment, net	14,469	20,078
	Total Assets	\$ 17,619,266
	\$ 19,528,384	\$ 17,619,266
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 37,292	\$ 36,982
Due to library	55,913	89,073
Custodial funds	7,200,218	6,508,055
	Total Liabilities	6,634,110
	7,293,423	6,634,110
 Net Assets		
Without donor restrictions	1,748,915	1,341,085
With donor restrictions		
Restricted by purpose or time	4,250,673	3,434,698
Restricted in perpetuity	6,235,373	6,209,373
	Total Net Assets with Donor Restrictions	9,644,071
	12,234,961	10,985,156
 Total Net Assets	12,234,961	10,985,156
 Total Liabilities and Net Assets	\$ 19,528,384	\$ 17,619,266

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

Louisville Free Public Library Foundation, Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions of cash and other financial assets	\$ 872,593	\$ 1,156,149	\$ 2,028,742	\$ 502,001	\$ 336,329	\$ 838,330
Contributions of nonfinancial assets	5,000	-	5,000	12,960	-	12,960
Interest and dividends	99,451	210,969	310,420	6,150	239,550	245,700
Realized/unrealized gains (losses) on investments	37,929	727,481	765,410	(12,910)	(1,601,672)	(1,614,582)
Total Revenue and Support	1,014,973	2,094,599	3,109,572	508,201	(1,025,793)	(517,592)
Net Assets Released from Restrictions	1,252,624	(1,252,624)	-	980,254	(980,254)	-
Total Revenue and Support and Releases	2,267,597	841,975	3,109,572	1,488,455	(2,006,047)	(517,592)
Expenses:						
Program services	1,294,005	-	1,294,005	1,019,291	-	1,019,291
Management and general	205,571	-	205,571	201,492	-	201,492
Fundraising	360,191	-	360,191	274,173	-	274,173
Total Expenses	1,859,767	-	1,859,767	1,494,956	-	1,494,956
Change in Net Assets	407,830	841,975	1,249,805	(6,501)	(2,006,047)	(2,012,548)
Net Assets at Beginning of Year	1,341,085	9,644,071	10,985,156	1,347,586	11,650,118	12,997,704
Net Assets at End of Year	\$ 1,748,915	\$ 10,486,046	\$12,234,961	\$ 1,341,085	\$ 9,644,071	\$ 10,985,156

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

Louisville Free Public Library Foundation, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Total	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising
Grants to the library	\$ 1,066,893	\$ 1,066,893	\$ -	\$ -	\$ 929,546	\$ 929,546	\$ -	\$ -
Salaries and wages	383,140	101,108	66,622	215,410	306,452	62,166	72,032	172,254
Employee benefits	88,774	23,427	15,436	49,911	84,110	17,063	19,770	47,277
Contractor expense	49,677	4,746	44,931	-	42,421	2,085	40,336	-
Payroll taxes	28,431	7,503	4,944	15,984	25,400	5,153	5,970	14,277
Other fundraising	49,103	-	-	49,103	17,888	-	-	17,888
Office expense	17,665	-	17,547	118	12,326	-	12,326	-
Information technology	27,531	2,378	20,086	5,067	27,873	1,847	20,909	5,117
Donor mailings	10,262	-	-	10,262	13,397	-	-	13,397
Civic event	95,212	85,691	-	9,521	-	-	-	-
Professional fees	13,855	749	11,509	1,597	12,821	529	10,827	1,465
Travel and meetings	13,153	1,510	8,425	3,218	8,247	902	4,847	2,498
Insurance	8,542	-	8,542	-	7,727	-	7,727	-
Depreciation	7,529	-	7,529	-	6,748	-	6,748	-
Total Expenses	\$ 1,859,767	\$ 1,294,005	\$ 205,571	\$ 360,191	\$ 1,494,956	\$ 1,019,291	\$ 201,492	\$ 274,173

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

Louisville Free Public Library Foundation, Inc.
 Statements of Cash Flows
 For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,249,805	\$ (2,012,548)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	7,529	6,748
Realized and unrealized losses (gains) on investments	(765,410)	1,614,582
(Increase) decrease in operating assets:		
Promises to give	(75,355)	106,380
Prepaid expenses	2,629	(2,842)
Due from employees	692	(692)
Increase (decrease) in operating liabilities:		
Accounts payable	310	(1,560)
Due to library	(33,160)	16,300
	<u>387,040</u>	<u>(273,632)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities:		
Purchase of furniture & equipment	(1,919)	(2,056)
Purchases of investments	(1,504,440)	(526,741)
Sales of investments	872,470	637,381
	<u>(633,889)</u>	<u>108,584</u>
Net Cash Provided (Used) By Investing Activities		
Cash Flows From Financing Activities:		
Cash at Beginning of Year	308,978	474,026
	<u>308,978</u>	<u>474,026</u>
Cash at End of Year	<u>\$ 62,129</u>	<u>\$ 308,978</u>

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements
June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies

The Louisville Free Public Library Foundation, Inc. (the Foundation) is a not-for-profit organization, located in Louisville, Kentucky, established to enhance the programs and services of the Louisville Free Public Library (the Library) through solicitations of public and private donations.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United State of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets. A description of the net assets categories follows:

Net assets without donor restrictions: expendable funds that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: stipulated by donors for specific operating purposes or are restricted by time. These include donor restrictions requiring that the corpus to be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalentents

Cash consists of checking and money market accounts on deposit with various financial institutions with maturities of three months or less. Cash held in brokerage accounts is considered part of investments for the purposes of the statements of cash flows.

Promises to Give

Promises to give are recognized as support and receivables in the financial statements. Promises to give are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Promises to give becoming due in the next year are recorded at net realizable value. Promises to give in subsequent years are reported at the present value of their net realizable value, using risk free interest rates applicable to the years in which the pledges are recognized. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Management reviews all promises to give balances that are past due and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Estimated uncollectible accounts increase the allowance for doubtful accounts and when the promises to give are written off, the allowance for doubtful accounts is decreased. Management determined that all promises are collectible, therefore no allowance is necessary.

Investments

Investments in marketable securities with readily determinable fair values are recorded at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities. Realized gains and losses on the marketable securities are determined based upon the specific securities sold.

The ASC establishes a framework for measuring fair value based upon a hierarchy that prioritizes observable and unobservable inputs used to measure fair value as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Foundation's own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Restricted Investments

Restricted investments include funds received from the Library Advisory Commission and held on its behalf. These amounts are included in custodial funds payable at June 30, 2023 and 2022.

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others are funds held by the Community Foundation of Louisville for the benefit of the Foundation in accordance with the terms of the original donors. These funds are neither in the possession, nor under the control, of the Foundation. The fair value of the fund is recognized as an asset. Distributions from the fund are recorded as transfers from one asset to another and the carrying value of the asset is adjusted annually for changes in the fair value of the fund.

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Computer equipment and software	3 to 5 years
Furniture and office equipment	7 to 10 years

Due to Library

Amounts due to Library are funds received from the Library Advisory Commission's investment account but not yet disbursed to the Library.

Revenue Recognition

Contributions of cash and other financial assets received are recorded as increases to net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Contribution of Nonfinancial Assets

Contributions of nonfinancial assets, also known as gift-in-kind, are shown separately from contributions of cash or other financial assets on the statement of activities. Contributions of nonfinancial assets are utilized by the Foundation in support of the Louisville Free Public Library's operations and programs. Disaggregation by type, description of donor imposed restrictions, and valuation techniques used are disclosed in Note 10.

The Foundation uses certain office space, equipment and other assets owned by the Louisville Free Public Library, the primary beneficiary of Foundation grants. The value of the use of these assets has not been determined or recorded in the financial statements.

Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, costs have been allocated among the program and supporting services benefited. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation is exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position.

Accounting Pronouncements Adopted in the Current Year

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Foundation elected to adopt this ASU effective July 1, 2022, and utilized all the applicable available practical expedients. The adoption had no impact on the Foundation's statements of financial position and activities.

Note 2 - Concentrations of Credit Risk

Cash and cash equivalents - The Foundation maintains bank accounts at multiple financial institutions in Kentucky. The cash balances are insured by the Federal Deposit Insurance Corporation. The amount of cash in excess of federally insured limits was \$42,985 and \$0 at June 30, 2023 and 2022. Risk is managed by maintaining all deposits in high quality financial institutions.

Promises to give - Financial instruments that are exposed to credit risk consist of promises to give. Promises to give are principally with foundations and corporations based in the Louisville area. Realization of these accounts is dependent on various individual economic conditions.

Investments - Investment in marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. To address the risk, the Foundation maintains a formal investment policy that sets out investment guidelines, asset allocation guidelines and requires review of the investment manager's performance. The finance committee oversees the entire process.

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 3 - Promises to Give

Promises to give consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Annual appeal	\$ 6,750	\$ 3,520
Northeast capital campaign	12,000	20,000
Summer reading	-	5,000
General capital campaign	90,275	-
Other restricted promises	1,500	5,000
	<u>\$ 110,525</u>	<u>\$ 33,520</u>
Receivable in less than one year	\$ 80,527	\$ 21,520
Receivable in one to five years	29,998	12,000
	<u>110,525</u>	<u>33,520</u>
Total promises to give	110,525	33,520
Less discounts to net present value	(1,730)	(80)
	<u>(1,730)</u>	<u>(80)</u>
Net promises to give	<u>\$ 108,795</u>	<u>\$ 33,440</u>

Promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate between 1% and 2%. No allowance for doubtful accounts is necessary, as management believes that all amounts are collectible.

Note 4 - Investments

Investments consist of money market funds and mutual funds. Cost, fair value and unrealized gains of investments are summarized below as of June 30:

<u>June 30, 2023</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gains (losses)</u>
Common stock	\$ 103,971	\$ 106,568	\$ 2,597
Money market funds	2,830,318	2,830,318	-
Equity mutual funds	3,764,550	7,217,125	3,452,575
Bond mutual funds	3,147,944	2,916,310	(231,634)
	<u>\$ 9,846,783</u>	<u>\$ 13,070,321</u>	<u>\$ 3,223,538</u>
<u>June 30, 2022</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gains (losses)</u>
Money market funds	\$ 2,023,389	\$ 2,023,389	\$ -
Equity mutual funds	4,092,271	6,895,896	2,803,625
Bond mutual funds	2,869,879	2,675,298	(194,581)
	<u>\$ 8,985,539</u>	<u>\$ 11,594,583</u>	<u>\$ 2,609,044</u>

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 4 - Investments (Continued)

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2023 and 2022.

Money market funds; Valued at cost, plus accrued interest

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

<u>June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Common stock	\$ 106,568	\$ -	\$ -	\$ 106,568
Money market funds	2,830,318	-	-	2,830,318
Equity mutual funds				
Balanced	5,834,213	-	-	5,834,213
International	1,382,912	-	-	1,382,912
Bond mutual funds	2,916,310	-	-	2,916,310
 Total investments at fair value	 <u>\$ 13,070,321</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 13,070,321</u>
<u>June 30, 2022</u>				
Money market funds	\$ 2,023,389	\$ -	\$ -	\$ 2,023,389
Equity mutual funds				
Balanced	5,579,690	-	-	5,579,690
International	1,316,206	-	-	1,316,206
Bond mutual funds	2,675,398	-	-	2,675,398
 Total investments at fair value	 <u>\$ 11,594,683</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,594,683</u>

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 4 - Investments (Continued)

Investments are reported on the statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Investments	\$ 5,870,103	\$ 5,086,628
Restricted investments	<u>7,200,218</u>	<u>6,508,055</u>
	<u>\$ 13,070,321</u>	<u>\$ 11,594,683</u>

Note 5 - Restricted Investments and Custodial Funds

The Foundation received assets from the Louisville Library Advisory Commission (the LAC), these assets are restricted to the benefit of the Louisville Free Public Library. Assets are reflected as restricted investments and an agency liability (custodial funds). The activity of the assets is as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Balance beginning of year	\$ 6,508,055	\$ 7,492,765
Contributions	-	4,481
Interest and dividend income	138,667	121,537
Realized and unrealized (losses) gains	670,628	(1,085,923)
Transfers to Library	<u>(117,132)</u>	<u>(24,805)</u>
Balance end of year	<u>\$ 7,200,218</u>	<u>\$ 6,508,055</u>

The receipts and disbursements are not reflected in the statement of activities of the Foundation in accordance with ASC 958-605-25.

Note 6 - Beneficial Interests in Assets Held by Others

The Foundation has a beneficial interest in the New Book Endowment Fund held at the Community Foundation of Louisville, Inc. As part of the agreement with the Community Foundation of Louisville, Inc., the Foundation may withdraw funds in excess of \$5,632,266. The amounts available for withdrawal as of June 30, 2023 and 2022 were \$635,601 and \$47,697 respectively. The fair value of the trust (level 3 input) and activity for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Fair value at the beginning of year	\$ 5,653,963	\$ 6,898,847
Interest and dividend income	152,524	188,405
Realized and unrealized (losses) gains	474,379	(1,138,094)
Investment fees	(12,999)	(15,195)
Transfers to foundation	<u>-</u>	<u>(280,000)</u>
Fair value at the end of year	<u>\$ 6,267,867</u>	<u>\$ 5,653,963</u>

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 7 - Furniture and Equipment

Furniture and equipment consist of the following at June 30:

	2023	2022
Computer equipment and software	\$ 25,636	\$ 25,636
Furniture and office equipment	10,388	8,469
Artwork	6,120	6,120
Total costs	42,144	40,225
Less accumulated depreciation	(27,675)	(20,147)
Furniture and equipment, net	\$ 14,469	\$ 20,078

The cost of certain City-owned equipment and facilities, which are used by the Foundation in connection with its Library support programs, is not reflected in the statement of financial position because asset titles remain with the City of Louisville. The Foundation has not recorded any amount related to the free use of equipment and facilities used.

Note 8 - Net Assets with Donor Restrictions

Net assets are restricted for the following purposes as of June 30:

	2023	2022
Subject to specified purpose or passage of time:		
Program activities	\$ 560,775	\$ 481,632
New Book Endowment fund	2,558,503	2,066,060
Children's Program Endowment fund	70,830	57,729
Scholarship Endowment fund	178,786	149,035
Craig Buthod Author Series	122,197	92,567
Capital Projects	759,582	587,675
	4,250,673	3,434,698
Subject to restriction in perpetuity:		
New Book Endowment fund	5,632,266	5,606,266
Children's Program Endowment fund	105,600	105,600
Scholarship Endowment fund	221,192	221,192
Craig Buthod Author Series	276,315	276,315
	6,235,373	6,209,373
Total net assets with donor restrictions	\$ 10,486,046	\$ 9,644,071

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 8 - Net Assets with Donor Restrictions (Continued)

If the market value of the New Book Endowment Fund at the Community Foundation of Louisville, Inc., (see Note 6) decreases below the perpetually restricted balance of \$5,632,266, then other New Book Endowment Fund investments subject to specified purpose or passage of time would cover the shortfall.

Following is a summary of the activity in the funds that are donor restricted by purpose or time for the years ended June 30, 2023 and 2022:

	2023	2022
Net assets, beginning of year	\$ 3,434,698	\$ 5,440,745
Contributions	1,130,149	336,329
Interest and dividend income	210,969	239,550
Realized and unrealized gains	740,480	(1,586,477)
Investment fees	(12,999)	(15,195)
Assets released from restrictions	(1,252,624)	(980,254)
Net assets, end of year	\$ 4,250,673	\$ 3,434,698

Note 9 - Endowment

The Foundation has determined its perpetually restricted net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminates the requirement to maintain the historic dollar value of donor-restricted endowments and instead focuses on donor intent and spending practices that are prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.

UPMIFA also creates a time restriction on the portion of the endowment that is not perpetually restricted and requires classification of that portion of the endowment to be classified as net assets with donor restrictions until appropriated for expenditures by the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of 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 as well as Foundation-designated funds. Under this policy, as approved by the Foundation, the endowment assets are invested in a manner that is intended to produce results to mirror those of major indexes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 9 - Endowment (Continued)

Spending Policy and How Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating distributions of no more than 4 percent of its endowment fund's rolling average value from the previous 12 quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Endowment net assets composition by type at June 30, 2023 and 2022 are as follows:

<u>June 30, 2023</u>	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
New Book Endowment	\$ 2,558,355	\$ 5,632,266	\$ 8,190,621
Children's Program Endowment	70,830	105,600	176,430
Scholarship Endowment	178,786	221,192	399,978
Craig Buthod Author Series	122,197	276,315	398,512
	<u>\$ 2,930,168</u>	<u>\$ 6,235,373</u>	<u>\$ 9,165,541</u>
<u>June 30, 2022</u>	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
New Book Endowment	\$ 2,066,060	\$ 5,606,266	\$ 7,672,326
Children's Program Endowment	57,729	105,600	163,329
Scholarship Endowment	149,035	221,192	370,227
Craig Buthod Author Series	92,567	276,315	368,882
	<u>\$ 2,365,391</u>	<u>\$ 6,209,373</u>	<u>\$ 8,574,764</u>

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 9 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Accumulated Earnings	Endowment Corpus	Total
<u>June 30, 2021</u>	\$ 4,083,968	\$ 6,209,373	\$ 10,293,341
Realized income	421,459	-	421,459
Market value change	(1,783,611)	-	(1,783,611)
Total investment return	(1,362,152)	-	(1,362,152)
Contributions	280,000	-	280,000
Distributions	(636,425)	-	(636,425)
<u>June 30, 2022</u>	2,365,391	6,209,373	8,574,764
Realized income	311,698	-	311,698
Market value change	625,934	-	625,934
Total investment return	937,632	-	937,632
Contributions	-	26,000	26,000
Distributions	(372,855)	-	(372,855)
<u>June 30, 2023</u>	<u>\$ 2,930,168</u>	<u>\$ 6,235,373</u>	<u>\$ 9,165,541</u>

All endowment assets stated above are a result of donor restrictions, with no self-imposed restrictions by the board. Therefore, no amount of the endowment as described above is considered unrestricted.

Note 10 - Contribution of Nonfinancial Assets

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	2023	2022
Artwork	\$ 5,000	\$ -
Computer Monitors	-	12,960
	<u>\$ 5,000</u>	<u>\$ 12,960</u>

The Foundation recognized contributed nonfinancial assets within revenue, including a contribution of computer monitors and marketing and advertising.

In 2023, the Foundation received a contribution of artwork. The artwork is valued at fair market value.

In 2022, The Foundation received a contribution of like new computer monitors. These monitors were utilized by the Louisville Free Public Library in their day-to-day operations, by both staff and patrons. There were no donor-imposed restrictions. The computer monitors were valued at 50% of the cost of a new monitor.

Louisville Free Public Library Foundation, Inc.
Notes to Financial Statements - Continued
June 30, 2023 and 2022

Note 11 - Retirement Plan

The Foundation adopted a SEP IRA retirement plan in August 2008 under which all full-time employees are eligible to participate. The Foundation contributes 15.1% of each full-time employee's salary, regardless of the employee contribution to the plan. The Foundation contributed \$57,496 and \$45,334 for the years ended June 30, 2023 and 2022, respectively.

Note 12 - Liquidity and Availability of Financial Assets

The following table reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments, and accumulated earnings net of appropriations within one year.

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 62,129	\$ 308,978
Promises to give, net	108,795	33,440
Due from employees	-	692
Investments	5,870,103	5,086,628
Beneficial interests in assets held by others	6,267,867	5,653,963
Financial assets, at year-end	12,308,894	11,083,701
Less those unavailable for general expenditure within one year		
Promises to give collectible beyond one year	(28,268)	(11,919)
Contributions subject to satisfaction of donor restriction	(1,254,016)	(1,035,867)
Perpetual endowments	(6,235,373)	(6,209,373)
Accumulated endowment earnings	(2,930,168)	(2,365,391)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,861,069	\$ 1,461,151

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program and other revenues, by utilizing resources from current and prior year's gifts and by appropriating the investment return on its donor-restricted endowments, as needed.

Note 13 - Recently Issued Accounting Standards

Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326)

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), requiring the measurement of all expected credit losses for financial assets held as of a financial reporting date be based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better determine their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. The provisions of this ASU were further amended by the issuance of ASU 2018-19 which mitigates transition complexity by requiring entities other than public business entities, including not-for-profit organizations, to implement the credit losses standard for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This aligns the implementation date for their annual financial statements with the implementation date for their interim financial statements. The guidance also clarifies that receivables arising from operating leases are not within the scope of the credit losses standard, but rather should be accounted for in accordance with the lease standard. ASU 2016-13 will be effective for the Foundation for the year ending June 30, 2023. The Foundation is currently evaluating the effect that the new standard will have on its financial statements.

Note 14 - Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through December 21, 2023, which was the date at which the financial statements were available to be issued.