

**LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION,
INC.**

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

CPAS / ADVISORS



LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Louisville Free Public Library Foundation, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Louisville Free Public Library Foundation, Inc. (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, functional expenses, and cash flows for the year 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 the Foundation as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2023 were audited by other auditors whose report dated December 21, 2023, expressed an unmodified opinion on those statements.

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 the

Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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 the Foundation'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 the Foundation'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.

Blue & Co., LLC

Louisville, Kentucky
February 13, 2025

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 179,704	\$ 62,129
Accounts receivable	53	-
Promises to give, net	2,306,618	108,795
Prepaid expenses	17,724	4,803
Investments	7,469,040	5,870,103
Investments - restricted	8,137,368	7,200,218
Beneficial interest in assets held by others	6,154,766	6,267,867
Furniture and equipment, net	<u>7,647</u>	<u>14,469</u>
 Total assets	 <u>\$ 24,272,920</u>	 <u>\$ 19,528,384</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 48,641	\$ 37,292
Due to library	36,810	55,913
Custodial funds	<u>8,137,368</u>	<u>7,200,218</u>
 Total liabilities	 8,222,819	 7,293,423
Net assets		
Without donor restrictions	2,428,545	1,748,915
With donor restrictions:		
Restricted by purpose or time	7,384,183	4,250,673
Restricted in perpetuity	<u>6,237,373</u>	<u>6,235,373</u>
 Total with donor restrictions:	 <u>13,621,556</u>	 <u>10,486,046</u>
 Total net assets	 <u>16,050,101</u>	 <u>12,234,961</u>
 Total liabilities and net assets	 <u>\$ 24,272,920</u>	 <u>\$ 19,528,384</u>

See accompanying notes to financial statements

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Contributions of cash and other financial assets	\$ 873,754	\$ 4,232,229	\$ 5,105,983	\$ 872,593	\$ 1,156,149	\$ 2,028,742
Contribution of nonfinancial assets	-	-	-	5,000	-	5,000
Interest and dividends from investments	179,468	255,998	435,466	99,451	210,969	310,420
Realized/unrealized gains on investments	63,055	949,445	1,012,500	37,929	727,481	765,410
Total revenue and support	1,116,277	5,437,672	6,553,949	1,014,973	2,094,599	3,109,572
Net assets released from restrictions	<u>2,302,162</u>	<u>(2,302,162)</u>	<u>-</u>	<u>1,252,624</u>	<u>(1,252,624)</u>	<u>-</u>
Total revenue and support	3,418,439	3,135,510	6,553,949	2,267,597	841,975	3,109,572
Expenses						
Program services	2,099,983	-	2,099,983	1,294,005	-	1,294,005
Management and general	239,839	-	239,839	205,571	-	205,571
Fundraising	<u>398,987</u>	<u>-</u>	<u>398,987</u>	<u>360,191</u>	<u>-</u>	<u>360,191</u>
Total expenses	2,738,809	-	2,738,809	1,859,767	-	1,859,767
Change in net assets	679,630	3,135,510	3,815,140	407,830	841,975	1,249,805
Net assets, beginning of year	<u>1,748,915</u>	<u>10,486,046</u>	<u>12,234,961</u>	<u>1,341,085</u>	<u>9,644,071</u>	<u>10,985,156</u>
Net assets, end of year	<u>\$ 2,428,545</u>	<u>\$ 13,621,556</u>	<u>\$ 16,050,101</u>	<u>\$ 1,748,915</u>	<u>\$ 10,486,046</u>	<u>\$ 12,234,961</u>

See accompanying notes to financial statements

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to the library	\$ 1,958,885	\$ -	\$ -	\$ 1,958,885	\$ 1,066,893	\$ -	\$ -	\$ 1,066,893
Salaries and wages	101,915	70,428	229,252	401,595	101,108	66,622	215,410	383,140
Employee benefits	23,298	16,100	52,407	91,805	23,427	15,436	49,911	88,774
Contractor expense	3,576	67,682	-	71,258	4,746	44,931	-	49,677
Payroll taxes	8,645	5,974	19,445	34,064	7,503	4,944	15,984	28,431
Other fundraising	-	-	72,081	72,081	-	-	49,103	49,103
Office expense	-	20,764	-	20,764	-	17,547	118	17,665
Information technology	2,368	22,178	5,326	29,872	2,378	20,086	5,067	27,531
Donor mailings	-	-	17,561	17,561	-	-	10,262	10,262
Civic event	-	-	-	-	85,691	-	9,521	95,212
Professional fees	-	13,015	-	13,015	749	11,509	1,597	13,855
Travel and meetings	1,296	7,812	2,915	12,023	1,510	8,425	3,218	13,153
Insurance	-	9,064	-	9,064	-	8,542	-	8,542
Depreciation	-	<u>6,822</u>	-	<u>6,822</u>	-	<u>7,529</u>	-	<u>7,529</u>
Total expenses	\$ 2,099,983	\$ 239,839	\$ 398,987	\$ 2,738,809	\$ 1,294,005	\$ 205,571	\$ 360,191	\$ 1,859,767

See accompanying notes to financial statements

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ 3,815,140	\$ 1,249,805
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Depreciation	6,822	7,529
Realized and unrealized gains on investments	(1,012,500)	(765,410)
Change in investments - restricted	937,150	692,163
Change in value of beneficial interest in assets held by others	113,101	(613,904)
Contributions restricted for permanent investment	(2,000)	(26,000)
Changes in operating and assets and liabilities:		
Accounts receivable	(53)	-
Promises to give	(2,197,823)	(75,355)
Prepaid expenses	(12,921)	2,629
Due from employees	-	692
Accounts payable	11,349	310
Due to library	<u>(19,103)</u>	<u>(33,160)</u>
Net cash provided by operating activities	1,639,162	439,299
Investing activities		
Proceeds on sale of investments	1,171,007	872,470
Net purchases of investments	(2,694,594)	(1,582,699)
Purchase of furniture, equipment, and improvements	<u>-</u>	<u>(1,919)</u>
Net cash used in investing activities	<u>(1,523,587)</u>	<u>(712,148)</u>
Financing activities		
Contributions restricted for permanent investment	<u>2,000</u>	<u>26,000</u>
Net change in cash and cash equivalents	117,575	(246,849)
Cash and cash equivalents at beginning of year	<u>62,129</u>	<u>308,978</u>
Cash and cash equivalents at end of year	<u>\$ 179,704</u>	<u>\$ 62,129</u>

See accompanying notes to financial statements

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Operations

This summary of significant accounting policies of Louisville Free Public Library Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions.

Net assets without donor restrictions – Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions – Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Cash and Cash Equivalents

Cash and cash equivalents consist 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 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 the risk-free interest rates applicable to the years in which the promises are recognized. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Consequently, at June 30, 2024, contributions approximating \$1,500,000, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. The conditional contribution is dependent on raising matching contributions that will be matched dollar-for-dollar. The matching contribution goal was met in November of 2024.

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 are reported at fair value, as determined by quoted market prices, in the accompanying statements of financial position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statements of activities.

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, 2024 and 2023.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.

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 furniture 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.

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 statements 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.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

The Foundation uses office space owned by the Louisville Free Public Library, the primary beneficiary of Foundation's grants. The value of the use of the office has not been determined or recorded in the financial statements.

Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area and where expenses affect more than one area, they are allocated on the basis of ratios determined by management. The expenses that are allocated include salaries, employee benefits, and retirement benefits which are allocated based on estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Subsequent Events

The Foundation has evaluated all subsequent events through February 13, 2025, the date the financial statements were available to be issued.

Income Tax Status

The Foundation is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

2. FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net at June 30, 2024 and 2023 consist of the following:

	2024	2023
Computer and software	\$ 25,636	\$ 25,636
Furniture and office equipment	10,388	10,388
Artwork	<u>6,120</u>	<u>6,120</u>
	42,144	42,144
Less accumulated depreciation	<u>(34,497)</u>	<u>(27,675)</u>
Furniture and equipment, net	<u><u>\$ 7,647</u></u>	<u><u>\$ 14,469</u></u>

3. PROMISES TO GIVE, NET

Promises to give, net at June 30, 2024 and 2023 include the following:

	2024	2023
Annual appeal	\$ 3,225	\$ 6,750
Northeast capital campaign	6,000	12,000
Summer reading	29,444	-
General capital campaign	2,326,100	90,275
Other restricted promises	<u>6,536</u>	<u>1,500</u>
Total gross promises to give	<u><u>\$ 2,371,305</u></u>	<u><u>\$ 110,525</u></u>
Less than one year	\$ 1,301,533	\$ 80,527
One to five years	<u>1,069,772</u>	<u>29,998</u>
Total promises to give	2,371,305	110,525
Less discounts to net present value	<u>(64,687)</u>	<u>(1,730)</u>
Promises to give, net	<u><u>\$ 2,306,618</u></u>	<u><u>\$ 108,795</u></u>

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Promises to give due in future periods are discounted using discount rates between 3.69% and 4.72%. No allowance for doubtful accounts deemed necessary, as management believes that all accounts are collectible.

4. INVESTMENTS

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

	2024		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	\$ 4,043,827	\$ 4,043,827	\$ -
Equity mutual funds	6,393,611	10,817,885	4,424,274
Bond mutual funds	790,139	744,696	(45,443)
	<u>\$ 11,227,577</u>	<u>\$ 15,606,408</u>	<u>\$ 4,378,831</u>
2023			
	Cost	Fair Value	Unrealized Gains (Losses)
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>

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

- *Money market funds:* Valued at cost, plus accrued interest.
- *Mutual funds:* Valued at the daily closing price 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.
- *Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

The following tables set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	Fair Value Measurements at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,043,827	\$ -	\$ -	\$ 4,043,827
Equity mutual funds:				
Balanced international	6,783,140	-	-	6,783,140
Mid cap blend	4,034,745	-	-	4,034,745
Bond mutual funds	<u>744,696</u>	<u>-</u>	<u>-</u>	<u>744,696</u>
Total	<u>\$ 15,606,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,606,408</u>

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 106,568	\$ -	\$ -	\$ 106,568
Money market funds	2,830,318	-	-	2,830,318
Equity mutual funds:				
Balanced international	5,834,213	-	-	5,834,213
Mid cap blend	1,382,912	-	-	1,382,912
Bond mutual funds	<u>2,916,310</u>	<u>-</u>	<u>-</u>	<u>2,916,310</u>
Total	<u>\$ 13,070,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,070,321</u>

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

	2024	2023
Investments	\$ 7,469,040	\$ 5,870,103
Investments - restricted	<u>8,137,368</u>	<u>7,200,218</u>
	<u>\$ 15,606,408</u>	<u>\$ 13,070,321</u>

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

6. RESTRICTED INVESTMENTS AND CUSTODIAL FUNDS

The Foundation received assets from the Louisville Library 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:

	2024	2023
Balance, beginning of year	\$ 7,200,218	\$ 6,508,055
Contributions	1,200	-
Interest and dividends	189,763	138,667
Realized and unrealized gains	934,317	670,628
Transfers to Library	<u>(188,130)</u>	<u>(117,132)</u>
Balance end of year	<u><u>\$ 8,137,368</u></u>	<u><u>\$ 7,200,218</u></u>

7. BENEFICIAL INTEREST 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 \$5,634,266. The amounts available for withdrawal as of June 30, 2024 and 2023 were \$522,500 and \$635,601, respectively. The fair value of the trust (level 3 input) and activity for the years ended June 30 are as follows:

	2024	2023
Fair value at beginning of year	\$ 6,267,867	\$ 5,653,963
Interest and dividends	186,844	152,524
Realized and unrealized gains	583,252	474,379
Investment fees	(15,513)	(12,999)
Transfer to foundation	<u>(867,684)</u>	<u>-</u>
Fair value at the end of year	<u><u>\$ 6,154,766</u></u>	<u><u>\$ 6,267,867</u></u>

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to specified purpose or passage of time		
Program activities	\$ 518,919	\$ 560,775
New Book Endowment fund	3,272,653	2,558,503
Children's Program Endowment fund	91,540	70,830
Scholarship Endowment Fund	225,569	178,786
Craig Buthod Author Series	168,792	122,197
Capital Projects	<u>3,106,710</u>	<u>759,582</u>
	7,384,183	4,250,673
Subject to restriction in perpetuity		
New Book Endowment fund	5,634,266	5,632,266
Children's Program Endowment fund	105,600	105,600
Scholarship Endowment Fund	221,192	221,192
Craig Buthod Author Series	<u>276,315</u>	<u>276,315</u>
	<u>6,237,373</u>	<u>6,235,373</u>
Total net assets with donor restrictions	<u>\$ 13,621,556</u>	<u>\$ 10,486,046</u>

If the market value of the New Book Endowment Fund at the Community Foundation of Louisville, Inc. decreases below the perpetually restricted balance of \$5,634,266, 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 of the funds that are restricted by purpose or time for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Net assets, beginning of year	\$ 4,250,673	\$ 3,434,698
Contributions	4,230,229	1,130,149
Interest and dividend income	271,511	210,969
Realized and unrealized gains	949,445	740,480
Investment fees	(15,513)	(12,999)
Assets released from restrictions	<u>(2,302,162)</u>	<u>(1,252,624)</u>
Net assets, end of year	<u>\$ 7,384,183</u>	<u>\$ 4,250,673</u>

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

9. ENDOWMENT FUND

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. The Foundation has interpreted UPMIFA as not allowing spending from underwater funds in accordance with the prudent measure required under the law.

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.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating distributions of no more than four 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.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Funds With Deficiencies

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Endowment Fund to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2024 and 2023.

Endowment net assets composition by type at June 30 are as follows:

	2024		
	Accumulated	Endowment	
	Earnings	Corpus	Total
New Book Endowment	\$ 3,272,653	\$ 5,634,266	\$ 8,906,919
Children's Program Endowment	91,540	105,600	197,140
Scholarship Endowment	225,569	221,192	446,761
Craig Buthod Author Series	168,792	276,315	445,107
	<u>\$ 3,758,554</u>	<u>\$ 6,237,373</u>	<u>\$ 9,995,927</u>
2023			
	Accumulated	Endowment	
	Earnings	Corpus	Total
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>

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Changes in endowment net assets for the years ended June 30 are as follows:

	Accumulated	Endowment	Total
	Earnings	Corpus	
Balance, June 30, 2022	\$ 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)
Balance, June 30, 2023	2,930,168	6,235,373	9,165,541
Realized income	211,611	-	211,611
Market value change	992,213	-	992,213
Total investment return	1,203,824	-	1,203,824
Contributions	-	2,000	2,000
Distributions	(375,438)	-	(375,438)
Balance, June 30, 2024	<u>\$ 3,758,554</u>	<u>\$ 6,237,373</u>	<u>\$ 9,995,927</u>

10. NONFINANCIAL IN-KIND CONTRIBUTIONS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized in the statements of activities included:

	2024	2023
Artwork	\$ -	\$ 5,000

The Foundation recognized contributed nonfinancial assets within revenue and support, including contributed artwork. The contributed artwork did not have donor-imposed restrictions. The donated artwork is valued using estimated wholesale prices of identical or similar products purchased in the region.

11. CONCENTRATIONS

The Foundation maintains bank accounts at multiple financial institutions in Kentucky. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC). The amount of cash in excess of federally insured amounts were \$969,265 and \$42,985 at June 30, 2024 and 2023, respectively. The Foundation has not experienced any losses on the uninsured amounts.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS **JUNE 30, 2024 AND 2023**

During the year ended June 30, 2024, there were three contributions that represented 40% of total contributions.

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.

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.

12. 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's contribution to the plan. The Foundation contributed \$59,210 and \$57,496 for the years ended June 30, 2024 and 2023, respectively.

LOUISVILLE FREE PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

13. LIQUIDITY AND AVAILABILITY

The Foundation strives to maintain liquid financial assets sufficient to cover one year of operating expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Foundation's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or other restrictions.

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 179,704	\$ 62,129
Accounts receivable	53	-
Promises to give, net	2,306,618	108,795
Investments	7,469,040	5,870,103
Beneficial interest in assets held by others	<u>6,154,766</u>	<u>6,267,867</u>
Financial assets available in one year	16,110,181	12,308,894
Donor restricted	<u>(13,621,556)</u>	<u>(10,486,046)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,488,625</u>	<u>\$ 1,822,848</u>