

FRIENDS FOR THE PUBLIC LIBRARY
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REPORT
Years Ended June 30, 2017 and 2016

FINDELL & COMPANY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends for the Public Library
Albuquerque, New Mexico

We have audited the accompanying financial statements of Friends for the Public Library (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends for the Public Library as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Findell & Company, P.C.

Findell & Company, P.C.
Certified Public Accountants

Albuquerque, New Mexico
November 6, 2017

FRIENDS FOR THE PUBLIC LIBRARY
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,654	\$ 52,450
Investments in marketable securities (Note 3)	<u>450,528</u>	<u>430,555</u>
TOTAL CURRENT ASSETS	<u>507,182</u>	<u>483,005</u>
PROPERTY AND EQUIPMENT (Note 4)	5,390	8,383
OTHER ASSETS		
Deposits	<u>-</u>	<u>1,000</u>
	<u>-</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 512,572</u>	<u>\$ 492,388</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,860	\$ 11,363
Credit cards payable	3,466	1,796
Fiscal agent liability	-	17,982
Accrued expenses	<u>1,460</u>	<u>3,405</u>
TOTAL CURRENT LIABILITIES	<u>16,786</u>	<u>34,546</u>
NET ASSETS		
Without donor restrictions		
Undesignated	402,063	353,510
With donor restrictions (Note7)	<u>93,723</u>	<u>104,332</u>
TOTAL NET ASSETS	<u>495,786</u>	<u>457,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 512,572</u>	<u>\$ 492,388</u>

See accompanying notes.

FRIENDS FOR THE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Book sales revenue	\$ 174,092	\$ -	\$ 174,092
Contributions	17,900	5,828	23,728
Online Sales	22,256	-	22,256
Membership dues	7,290	-	7,290
Investment income, net	31,301	-	31,301
Other income	3,600	-	3,600
Net assets released from donor restrictions	<u>16,437</u>	<u>(16,437)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	272,876	(10,609)	262,267
EXPENSES			
Program services	169,041	-	169,041
General and administrative	46,185	-	46,185
Book sales expense	<u>9,097</u>	<u>-</u>	<u>9,097</u>
TOTAL EXPENSES	<u>224,323</u>	<u>-</u>	<u>224,323</u>
CHANGE IN NET ASSETS	48,553	(10,609)	37,944
BEGINNING NET ASSETS	<u>353,510</u>	<u>104,332</u>	<u>457,842</u>
ENDING NET ASSETS	<u><u>\$ 402,063</u></u>	<u><u>\$ 93,723</u></u>	<u><u>\$ 495,786</u></u>

See accompanying notes.

FRIENDS FOR THE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Book sales revenue	\$ 174,223	\$ -	\$ 174,223
Contributions	7,525	1,766	9,291
Online Sales	12,453	-	12,453
Membership dues	7,720	-	7,720
Investment income, net	15,615	-	15,615
Other income	3,823	-	3,823
Net assets released from donor restrictions	<u>52,930</u>	<u>(52,930)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	274,289	(51,164)	223,125
EXPENSES			
Program services	226,337	-	226,337
General and administrative	46,160	-	46,160
Book sales expense	<u>8,624</u>	<u>-</u>	<u>8,624</u>
TOTAL EXPENSES	<u>281,121</u>	<u>-</u>	<u>281,121</u>
CHANGE IN NET ASSETS	(6,832)	(51,164)	(57,996)
BEGINNING NET ASSETS	<u>360,342</u>	<u>155,496</u>	<u>515,838</u>
ENDING NET ASSETS	<u><u>\$ 353,510</u></u>	<u><u>\$ 104,332</u></u>	<u><u>\$ 457,842</u></u>

See accompanying notes.

FRIENDS FOR THE PUBLIC LIBRARY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (loss)	\$ 37,944	\$ (57,996)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	2,993	6,698
Unrealized loss (gain) on investment	(4,474)	(4,684)
(Increase) decrease in		
Ebay sales receivable	-	1,420
Increase (decrease) in		
Accounts payable	497	3,185
Credit cards payable	1,670	(5,020)
Fiscal agent liabilities	(17,982)	9,372
Accrued expenses	<u>(1,945)</u>	<u>805</u>
 NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	 18,703	 (46,220)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of deposits	1,000	-
Net change in marketable securities investments	<u>(15,499)</u>	<u>10,025</u>
 NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	 <u>(14,499)</u>	 <u>10,025</u>
 NET (DECREASE) INCREASE IN CASH	 4,204	 (36,195)
 CASH BEGINNING OF YEAR	 <u>52,450</u>	 <u>88,645</u>
 CASH AT END OF YEAR	 <u>\$ 56,654</u>	 <u>\$ 52,450</u>

See accompanying notes.

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF ORGANIZATION

Friends for the Public Library, (the Organization) is a nonprofit organization whose primary objective is to raise funds to support the public library systems of the City of Albuquerque and Bernalillo County, New Mexico and to encourage and support education and literacy programs through the library system.

The Organization is exempt from income tax under Section 501(c)(3) of U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within limitations prescribed by the Code.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described as follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Expense Allocations

Expenses and support services have been allocated to programs based upon estimates and calculations determined by management.

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. The Organization's primary source of revenue is sales of used books transferred to the Organization from the public library system. The Organization conducts monthly book sales and maintains a bookstore at the main branch of the library. The books sold at the bookshop and online are transferred to the Organization from the public library at the time of sale. All unsold books remain the property of the public library. The Organization also obtains funding from membership fees, private donations, special fund-raisers, and grants offered by various individuals and organizations interested in supporting the library and its programs. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Program and Grant Distributions

The Organization provides funding to the Albuquerque public library system to assist primarily in educational and literacy programs offered through the libraries.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include checking and savings accounts and certificates of deposit with a maturity of three months or less.

Investments

The Organization follows ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this provision, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statement of activities.

Property and Equipment

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost. Donated assets that are to be used by the Organization are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over the useful lives of the assets.

Advertising Expense

Advertising costs of \$11,746 and \$15,783 during the years ended June 30, 2017 and 2016 were expensed as incurred.

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Organization has received tax exempt status under Code Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended June 30, 2017 and has evaluated its tax positions taken for all open tax years. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Investments primarily consist of cash, certificates of deposit, corporate equities and mutual funds held with a national brokerage firm. The cost, approximate market value, and net unrealized gains on investments as of June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Market value of investments	\$ 450,528	\$ 430,555
Cost of investments	<u>400,742</u>	<u>385,243</u>
Net unrealized gain (loss)	<u>\$ 49,786</u>	<u>\$ 45,312</u>

FRIENDS FOR THE PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization’s investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. The Organization’s management determines valuation policies. Although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure fair value of certain financial instruments could result in different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no assets requiring the use of Level 2 or Level 3 inputs for the periods presented.

Level 1 Fair Value Measurements

The fair values of corporate stocks and mutual funds are based on the closing price in the active market where the individual securities are traded.

Level 2 Fair Value Measurements

Investments in certificates of deposit are based on net realizable value after any applicable early termination fees and include accrued interest earned.

The following tables set forth, by level within the fair value hierarchy, the organization’s investments at fair value as of June 30, 2017 and 2016:

Assets at Fair value as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 216	\$ -	\$ -	\$ 216
Certificates of deposit	-	74,555	-	74,555
Corporate equities	29,914	-	-	29,914
Mutual funds	345,843	-	-	345,843
Total investments at fair value	\$ 375,973	\$ 74,555	\$ -	\$ 450,528

FRIENDS OF THE PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENT (continued)

Assets at Fair value as of June 30, 2016

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 13,023	\$ -	\$ -	\$ 13,023
Certificates of deposit	-	61,461	-	61,461
Corporate equities	31,215	-	-	31,215
Mutual funds	<u>324,856</u>	<u>-</u>	<u>-</u>	<u>324,856</u>
Total investments at fair value	<u>\$ 369,094</u>	<u>\$ 61,461</u>	<u>\$ -</u>	<u>\$ 430,555</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Bookstore - main library	\$ 42,572	\$ 42,572
Computer equipment	<u>15,678</u>	<u>15,678</u>
	58,250	58,250
Less accumulated depreciation	<u>(52,860)</u>	<u>(49,867)</u>
Net property and equipment	<u>\$ 5,390</u>	<u>\$ 8,383</u>

Depreciation expense totaled \$2,993 and \$6,698 for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 – CONCENTRATION OF CREDIT RISK

The Organization maintains a portion of its cash deposits with an investment firm with a branch office located in Albuquerque, New Mexico. At various times, these cash deposits exceed SIPC insured amounts. Management does not consider there to be significant risk to be associated with these excess deposits.

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO FINANCIL STATEMENTS

NOTE 7 – DONATED SERVICES

No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services under the criteria for recognition under ASC 958-605. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to the Organization’s programs.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Estate donation-library renovations and program support	\$ 83,656	\$ 92,092
Grants and other donations with donor restrictions	<u>10,067</u>	<u>12,240</u>
	<u>\$ 93,723</u>	<u>\$ 104,332</u>

Net assets released from donor restrictions totaled \$16,437 and \$52,930 for the years ended June 30, 2017 and 2016 and included donor restricted grant monies used for their restricted purpose. All donor imposed restrictions are temporary in nature.

NOTE 9 – STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURE

There were no noncash investing or financing activities and no cash was expended for interest or taxes during the years ended June 30, 2017 or 2016.

NOTE 10 – FISCAL AGENT LIABILITY

The Organization received a grant from the FINRA Investor Education Foundation for two years with the purpose of serving the financial and investor education needs of library patrons. The grant period expired during the year ended June 30, 2017 and unused grant funds of \$11,438 returned.

NOTE 11 – RECENT ACCOUNTING GUIDANCE

During the year ended June 30, 2017, the Organization implemented ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, the beginning balances of the donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. Other areas the ASU requires additional disclosures in which impact the Organization include liquidity and functional expense presentation.

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO FINANCIL STATEMENTS

NOTE 12 – FUNCTIONAL EXPENSE PRESENTATION

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The information below presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

For the year ended June 30, 2017

	Program Services	Book Sales	General and Administrative	Total
Administration	\$ -	\$ -	\$ 941	\$ 941
Bank and credit card fees	-	3,324	305	3,629
Booksale costs	-	5,773	-	5,773
Computer and software	-	-	767	767
Depreciation	2,095	-	898	2,993
Insurance	1,430	-	1,430	2,860
Library programs	111,949	-	-	111,949
Marketing	-	-	3,016	3,016
Membership and recruitment	-	-	950	950
Newsletter	1,142	-	-	1,142
Payroll	26,996	-	17,998	44,994
Payroll taxes	2,410	-	1,606	4,016
Postage	538	-	359	897
Pricing and sorting	1,817	-	-	1,817
Professional fees	-	-	14,248	14,248
Recycling	1,286	-	-	1,286
Restricted contribution expense	16,505	-	-	16,505
Travel	2,593	-	731	3,324
Volunteer coordinator and development	-	-	2,816	2,816
Website	280	-	120	400
	<u>169,041</u>	<u>9,097</u>	<u>46,185</u>	<u>224,323</u>
TOTAL EXPENSES	\$ <u>169,041</u>	\$ <u>9,097</u>	\$ <u>46,185</u>	\$ <u>224,323</u>
As a percentage of total	75.35%	4.06%	20.59%	100.00%

FRIENDS FOR THE PUBLIC LIBRARY
NOTES TO FINANCIL STATEMENTS

NOTE 12 – FUNCTIONAL EXPENSE PRESENTATION (continued)

For the year ended June 30, 2016

	<u>Program Services</u>	<u>Book Sales</u>	<u>General and Administrative</u>	<u>Total</u>
Administration	\$ -	\$ -	\$ 493	\$ 493
Bank and credit card fees	-	2,815	361	3,176
Booksale costs	-	5,809	-	5,809
Depreciation	4,688	-	2,009	6,697
Employee benefits	2,100	-	1,400	3,500
Insurance	1,411	-	1,411	2,822
Library programs	129,963	-	-	129,963
Marketing	-	-	3,018	3,018
Membership and recruitment	-	-	1,441	1,441
Payroll	23,947	-	15,964	39,911
Payroll taxes	1,846	-	1,231	3,077
Postage	619	-	413	1,032
Pricing and sorting	1,907	-	-	1,907
Professional fees	-	-	14,231	14,231
Recycling	2,358	-	-	2,358
Restricted contribution expense	52,930	-	-	52,930
Travel	3,036	-	877	3,913
Volunteer coordinator and development	-	-	2,655	2,655
Website	1,532	-	656	2,188
	<u>226,337</u>	<u>8,624</u>	<u>46,160</u>	<u>281,121</u>
TOTAL EXPENSES	\$ <u>226,337</u>	\$ <u>8,624</u>	\$ <u>46,160</u>	\$ <u>281,121</u>
As a percentage of total	80.51%	3.07%	16.42%	100.00%

NOTE 13 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ <u>56,654</u>	\$ <u>52,450</u>

As part of the Organization’s liquidity management plan, the board has the ability to authorize the sale of investments in marketable securities to cover any cash flow requirements.

NOTE 14 – DATE OF MANAGEMENT’S REVIEW

Subsequent events were evaluated through November 6, 2017, which is the date the financial statements were available to be issued.