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***THE LIBRARY FOUNDATION FOR THE  
BENEFIT OF ST. LOUIS PUBLIC LIBRARY***  
*FINANCIAL STATEMENTS*  
*SEPTEMBER 30, 2019*

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RubinBrown LLP  
Certified Public Accountants &  
Business Consultants

One North Brentwood  
Saint Louis, MO 63105

T 314.290.3300  
F 314.290.3400

W [rubinbrown.com](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## Independent Auditors' Report

Board of Directors  
The Library Foundation for the  
Benefit of St. Louis Public Library  
St. Louis, Missouri

### Report On The Financial Statements

We have audited the accompanying financial statements of The Library Foundation for the Benefit of St. Louis Public Library (the Foundation), a not-for-profit organization, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility For The Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 the Foundation, as of September 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis Of Matter***

As discussed in Note 1, The Library Foundation for the Benefit of St. Louis Public Library adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended September 30, 2019. Our opinion is not modified with respect to this matter.

***Report On Summarized Comparative Information***

We have previously audited The Library Foundation for the Benefit of St. Louis Public Library's 2018 financial statements and our report dated March 13, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RubinBrown LLP*

March 3, 2020

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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**STATEMENT OF FINANCIAL POSITION**

**September 30, 2019**

**(With Summarized Financial Information As Of September 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 1,419,158	\$ 1,026,664
Investments	6,983,580	6,859,669
Interest receivable	4,700	6,668
Pledges receivable	1,000	1,000
<b>Total Assets</b>	<b>\$ 8,408,438</b>	<b>\$ 7,894,001</b>
<b>Liabilities</b>		
Liabilities		
Investments held on behalf of St. Louis Public Library	\$ 647,577	\$ 624,677
Due to affiliate - St. Louis Public Library	122,429	127,476
<b>Total Liabilities</b>	<b>770,006</b>	<b>752,153</b>
<b>Net Assets</b>		
Net Assets		
Net Assets With Donor Restrictions	2,969,289	3,127,616
Net Assets Without Donor Restrictions	4,669,143	4,014,232
<b>Total Net Assets</b>	<b>7,638,432</b>	<b>7,141,848</b>
<b>Total Net Assets And Liabilities</b>	<b>\$ 8,408,438</b>	<b>\$ 7,894,001</b>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

**STATEMENT OF ACTIVITIES  
For The Year Ended September 30, 2019  
(With Summarized Financial Information  
For The Year Ended September 30, 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues, Gains And Other Support</b>				
Membership	\$ 203,305	\$ —	\$ 203,305	\$ 185,948
Contributions	413,791	382,474	796,265	600,975
Investment income	191,420	71,800	263,220	328,145
Other income	—	—	—	2,610
Net assets released from restrictions	612,600	(612,600)	—	—
<b>Total Support</b>	<b>1,421,116</b>	<b>(158,326)</b>	<b>1,262,790</b>	<b>1,117,678</b>
<b>Expenses</b>				
Professional services	41,281	—	41,281	61,824
Information technology	6,347	—	6,347	7,326
Insurance	4,540	—	4,540	4,607
Advertising and promotion	17,052	—	17,052	32,097
Postage	6,046	—	6,046	—
Printing and publications	32,801	—	32,801	34,336
Fundraising receptions	10,011	—	10,011	45,805
Grants To St. Louis Public Library	626,601	—	626,601	1,088,330
Travel	3,879	—	3,879	2,436
Other	17,648	—	17,648	22,555
<b>Total Expenses</b>	<b>766,206</b>	<b>—</b>	<b>766,206</b>	<b>1,299,316</b>
<b>Increase (Decrease) In Net Assets</b>	<b>654,910</b>	<b>(158,326)</b>	<b>496,584</b>	<b>(181,638)</b>
<b>Net Assets - Beginning Of Year</b>	<b>4,014,232</b>	<b>3,127,616</b>	<b>7,141,848</b>	<b>7,323,486</b>
<b>Net Assets - End Of Year</b>	<b>\$ 4,669,142</b>	<b>\$ 2,969,290</b>	<b>\$ 7,638,432</b>	<b>\$ 7,141,848</b>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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**STATEMENT OF CASH FLOWS  
For The Year Ended September 30, 2019  
(With Summarized Financial Information  
For The Year Ended September 30, 2018)**

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 496,584	\$ (181,638)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Unrealized gain on investments	(139,582)	(217,467)
Changes in assets and liabilities:		
Unconditional promises to give	—	355,000
Other receivable	—	3,566
Interest receivable	1,968	(3,301)
Decrease in due to affiliate	(5,047)	(124,834)
Increase in assets held for others	22,900	102,259
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>376,823</b>	<b>(66,415)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale or maturity of investments	894,505	546,699
Purchases of investments	(878,834)	(845,247)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>15,671</b>	<b>(298,548)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>392,494</b>	<b>(364,963)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,026,664</b>	<b>1,391,627</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 1,419,158</b>	<b>\$ 1,026,664</b>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2019 And 2018**

**1. Summary Of Significant Accounting Policies**

**Nature Of Operations**

The Library Foundation for the Benefit of St. Louis Public Library (the Foundation) was formed in September 1989 to receive and administer gifts and to undertake other activities for literary and educational purposes exclusively to support and benefit the City of St. Louis Municipal Library District (the Library). As a public charity, operations began October 1, 1989.

The Trustees of the Foundation have engaged the Library to provide it with accounting and other management services. No fees are charged by the Library for these services.

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted ASU 2016-14 effective October 1, 2018 and applied its provisions to the financial statement for the year end September 30, 2019. In accordance with the ASU, the statement of financial position presents two classes of net assets, rather than the previously required three classes. The two classes of net assets “without donor restrictions” (previously “unrestricted” net assets) and net assets “with donor restrictions” (previously “temporarily restricted” and “permanently restricted”). The ASU also requires information concerning liquidity and presentation of expenses by both functional and natural classification.

**Reclassification**

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

**Basis Of Accounting**

The Foundation prepares its financial statements on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when incurred.



**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

**Basis Of Presentation**

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, the Foundation is required to report its financial position and activities according to the following classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2018, from which the summarized information is derived.

**Net Assets**

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are those whose use it not restricted by donors.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Included in net assets without donor restrictions are net assets, which the governing Board, rather than the donor, has discretionary control.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions that will be satisfied by actions of the Organization or the passing of time.

**Cash And Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less. Investments consist of those securities with maturity dates greater than three months at the time of purchase by the Foundation.

As of September 30, 2019, the Foundation had cash deposits in excess of the insured limits of \$1,068,037. These deposits, however, were fully collateralized.

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

**Investments**

The Foundation accounts for investments at fair value and at September 30, 2019 had investments of \$6,983,580 reported on the statement of financial position. The fair values of these investments were determined through quoted market prices in active markets (Level 1 as defined in ASC 820).

Investments held on behalf of St. Louis Public Library represent resources in the possession, but not under the control, of the Foundation.

**Pledges Receivable**

Unconditional pledges to give in future periods are recognized as support in the period the pledges are received. Pledges receivable are reported at the amount management expects to collect on balances outstanding at year end.

**Functional Expenses**

Expenses are charged to program services and supporting activities on the basis of management's estimates on how resources are specifically utilized. Expenses that are directly identifiable with a specific function are allocated directly to that function. Expenses that are not directly identifiable to a specific function and are related to space usage, including professional fees, interest expense and depreciation expense.

**Description Of Program And Supporting Services**

**Program**

Includes those expenditures for programs and other items that are for the benefit of St. Louis Public Library.

**Management And General**

Includes the functions necessary to maintain the Foundation; articulation of the Foundation's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Foundation.

**Fundraising And Development**

Provides the structure necessary to encourage and secure financial support.

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

**Tax Status**

The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, which excludes it from income tax liability on its exempt activities.

**Use Of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

**Subsequent Events**

Management evaluates subsequent events through the date financial statements are available for issue, which is the date of the Independent Auditors' Report.

**2. Investments**

A summary of investments as of September 30, 2019 and 2018 for the Foundation is as follows:

	<u>2019</u>	<u>2018</u>
Money market mutual funds	\$ 176,234	\$ 224,446
Equity mutual funds	3,827,744	4,137,279
Fixed income mutual funds	2,979,602	2,497,944
	<u>\$ 6,983,580</u>	<u>\$ 6,859,669</u>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

Notes To Financial Statements (*Continued*)

**3. Fair Value Measurement And Application**

The Foundation has the following recurring fair value measurements as of September 30:

	<b>2019</b>		
	<b>Quoted Prices</b>		
	<b>In Active</b>	<b>Significant</b>	
	<b>Markets For</b>	<b>Other</b>	<b>Significant</b>
	<b>Identical</b>	<b>Observable</b>	<b>Unobservable</b>
<b>Assets</b>	<b>Inputs</b>	<b>Inputs</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments By Fair Value Level</b>			
Money market mutual funds	\$ 176,234	\$ —	\$ —
Fixed income mutual funds	2,979,602	—	—
Equity-based mutual funds	3,755,631	—	—
REIT funds	72,113	—	—
<b>Total Investments By Fair Value Level</b>	<b>\$ 6,983,580</b>	<b>\$ —</b>	<b>\$ —</b>
	<b>2018</b>		
	<b>Quoted Prices</b>		
	<b>In Active</b>	<b>Significant</b>	
	<b>Markets For</b>	<b>Other</b>	<b>Significant</b>
	<b>Identical</b>	<b>Observable</b>	<b>Unobservable</b>
<b>Assets</b>	<b>Inputs</b>	<b>Inputs</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments By Fair Value Level</b>			
Money market mutual funds	\$ 224,446	\$ —	\$ —
Fixed income mutual funds	2,497,944	—	—
Equity-based mutual funds	3,805,873	—	—
Managed funds	229,696	—	—
REIT funds	101,710	—	—
<b>Total Investments By Fair Value Level</b>	<b>\$ 6,859,669</b>	<b>\$ —</b>	<b>\$ —</b>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

**4. Pledges Receivable**

Collections of current and prior year pledged amounts were \$0 and \$355,000 in 2019 and 2018, respectively. Pledges receivable at September 30, 2019 are expected to be collected during fiscal year 2020.

The Foundation provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of receivables. The estimated losses are based on a review of the current status of existing receivables. Management has evaluated pledges receivable and determined that an allowance was not necessary at September 30, 2019 or 2018.

**5. Related Party Transactions**

As stated in Note 1, the Library provides accounting and other services to the Foundation. The amounts due to or from the Library represent timing differences between the dates that services are provided or reimbursable expenditures occur and payments between entities are made.

The Foundation and the Library have entered into an affiliation agreement under which the Foundation will transfer pledges received, as part of the capital campaign, to the Library for payment of principal and interest due on the outstanding revenue Bonds of the Library. During 2019, the Foundation transferred funds of \$750,928 to the Library, comprised of capital campaign contributions of \$100,050 and funds for Library programs of \$650,878. These transfers were partially offset by borrowings from the Library of \$124,327. During 2018, the Foundation transferred funds of \$1,389,693 to the Library, comprised of capital campaign contributions of \$645,275 and funds for Library programs, \$744,418. Those transfers were partially offset by borrowings from the Library of \$301,363. The net amounts of \$626,601 and \$1,088,330 for 2019 and 2018, respectively, were treated as a transfer on the statement of revenues, expenses and changes in net position.

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

**6. Net Assets**

Net assets with donor restrictions consist of the following as of September 30, 2019:

	<u>2019</u>	<u>2018</u>
Restricted for the sponsorship of educational programs and book purchases	\$ 1,109,574	\$ 1,076,096
Restricted for the purchase of children and books for the Carpenter Branch Library	631,150	618,825
Restricted for Library programs	1,227,565	1,324,764
Restricted for the Central Library renovation capital campaign	1,000	107,931
	<u>\$ 2,969,289</u>	<u>\$ 3,127,616</u>

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors as follows:

<b>Released From Restriction</b>	<u>2019</u>
Sponsorship of educational programs and book purchases	\$ 9,991
Purchase of children and adult books for the Carpenter Branch Library	12,672
Library programs	483,007
Central Library renovation capital campaign	<u>106,931</u>
	<u>\$ 612,601</u>

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

Notes To Financial Statements (*Continued*)

**7. Functional Expenses**

Expense by functional classification for the year ended September 30, 2019, are as follows:

	2019				Total
	Program	Management And General	Fundraising	Event Fundraising	
Grants to St. Louis Public Library	\$ 626,601	\$ —	\$ —	\$ —	\$ 626,601
Professional Services	—	39,396	1,885	—	41,281
Advertising and promotion	—	—	13,612	3,440	17,052
Information technology	—	—	6,347	—	6,347
Insurance	—	4,540	—	—	4,540
Fundraising receptions	—	—	10,011	—	10,011
Postage	—	—	6,046	—	6,046
Printing and publications	—	616	25,731	6,454	32,801
Travel	—	86	3,793	—	3,879
Other	—	1,990	14,209	1,449	17,648
<b>Grand Total</b>	<b>\$ 626,601</b>	<b>\$ 46,628</b>	<b>\$ 81,634</b>	<b>\$ 11,343</b>	<b>\$ 766,206</b>

**8. Liquidity And Availability Of Financial Assets**

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,419,158
Investments	6,983,580
Accrued Interest	4,700
Pledge Receivable	1,000
Total Assets	<u>8,408,438</u>
Less: Amounts unavailable for general expenditures within one year due to:	
Funds Invested by Foundation for the St. Louis Public Library	647,577
Due to affiliate - St. Louis Public Library	122,429
	<u>770,006</u>
Restricted by donors with purpose restrictions	<u>2,969,290</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,669,142</u>

The Foundation was formed in September 1989 to receive and administer gifts and to undertake other activities for literary and educational purposes exclusively to support and benefit the City of St. Louis Municipal Library District (the Library).

**THE LIBRARY FOUNDATION  
FOR THE BENEFIT OF ST. LOUIS PUBLIC LIBRARY**

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Notes To Financial Statements (*Continued*)

All donor gifts whether unrestricted are designated solely for use by the Library. In exchange for the Foundation's fundraising efforts the Library funds 100% of the Foundations' liquidity needs for operational expenses and provides accounting and other management services on an annual basis.

An affiliation agreement between the Foundation and the Library, which governs this arrangement, treats direct financial support from the Library as a loan to the Foundation and the periodic transfer of donor proceeds to the Library as payments to satisfy the loans.