



Bozeman Public Library Foundation

Financial Statements
with
Independent Accountants' Review Report

December 31, 2020

Bozeman Public Library Foundation
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RUDD & COMPANY^{INC.}

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Bozeman Public Library Foundation
Bozeman, Montana

We have reviewed the accompanying financial statements of Bozeman Public Library Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Rudd & Company, PLLC

Bozeman, Montana
March 12, 2021

Bozeman Public Library Foundation
Statement of Financial Position
As of December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 569,010
Investment income receivable	15,502
Total Current Assets	<u>584,512</u>

Other Assets

Investments	4,555,987
Beneficial interest in assets held by others	245,256
Website, net amortization of \$4,443	5,431
Artwork	10,046
Total Other Assets	<u>4,816,720</u>

Total Assets	<u>\$ 5,401,232</u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 5,713
Accrued payroll and other expenses	3,016
Total Current Liabilities	<u>8,729</u>

Paycheck Protection Program Loan	<u>39,600</u>
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Total Liabilities	<u>48,329</u>
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Net Assets

Without Donor Restrictions	3,163,153
Without Donor Restrictions - Board Designated	1,694,878
With Donor Restrictions	494,872

Total Net Assets	<u>5,352,903</u>
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Total Liabilities and Net Assets	<u>\$ 5,401,232</u>
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The accompanying notes are an integral part of these statements.

Bozeman Public Library Foundation
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 540,057	\$ 21,088	\$ 561,145
Grants	109,086	20,915	130,001
Interest and dividends, net	90,368	6,371	96,739
In-kind contributions	14,768	-	14,768
Realized gain on investments	184,365	7,086	191,451
Unrealized gain on investments	166,926	17,768	184,694
Other income	1,485	1,850	3,335
Total Revenue and Support	1,107,055	75,078	1,182,133
Net assets released from program restrictions	42,583	(42,583)	-
Expenses			
Program services	266,181	-	266,181
General and administrative	122,429	-	122,429
Fundraising	103,025	-	103,025
Total Expenses	491,635	-	491,635
Change in Net Assets	658,003	32,495	690,498
Net Assets, Beginning of Year	4,200,028	462,377	4,662,405
Net Assets, End of Year	\$ 4,858,031	\$ 494,872	\$ 5,352,903

The accompanying notes are an integral part of these statements.

Bozeman Public Library Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2020

Description	Program Services	General and Administrative	Fundraising	Total
Amortization	\$ -	\$ 1,974	\$ -	\$ 1,974
Arts/Culture	7,599	-	-	7,599
Bank charges	-	1,153	-	1,153
Children's department	13,853	-	-	13,853
Dues	-	5,700	-	5,700
Equipment	-	5,039	-	5,039
Direct library support	137,074	-	-	137,074
Employee benefits	6,911	12,607	10,463	29,981
Insurance	-	931	-	931
Miscellaneous	-	1,400	2,782	4,182
Office and administrative	-	5,844	8,799	14,643
Outreach and adult education	54,043	-	-	54,043
Personnel and related costs	46,701	66,092	77,211	190,004
Professional fees	-	20,974	-	20,974
Special event - Gala	-	-	3,770	3,770
Training	-	715	-	715
Total	\$ 266,181	\$ 122,429	\$ 103,025	\$ 491,635

The accompanying notes are an integral part of these statements.

Bozeman Public Library Foundation
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows from Operating Activities

Change in Net Assets	\$ 690,498
Adjustment to reconcile change in net assets to net cash used by operating activities	
Amortization	1,974
Net unrealized and realized gain on investments	(366,196)
Conversion of note payable to a contribution	(15,000)
(Increase) decrease in assets:	
Investment income receivable	(214)
Increase (decrease) in liabilities	
Accounts payable	(156)
Accrued payroll and other expenses	(2,952)
Net Cash Provided by Operating Activities	<u>307,954</u>

Cash Flows from Investing Activities

Proceeds from sale of investments	3,738,957
Purchase of investments	(3,626,864)
Net Cash Provided by Investing Activities	<u>112,093</u>

Cash Flows from Financing Activities

Proceeds from Paycheck Protection Program loan	39,600
Net Cash Provided by Financing Activities	<u>39,600</u>

Net Increase in cash and cash equivalents 459,647

Cash and cash equivalents, Beginning of Year 109,363

Cash and cash equivalents, End of Year \$ 569,010

Supplemental Disclosure of Cash Flow Information

Non-cash contribution - debt conversion	\$ 15,000
Non-cash donation of other in-kind items	\$ 14,768

The accompanying notes are an integral part of these statements.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. Summary of Significant Accounting Policies

Organization

Bozeman Public Library Foundation (the “Foundation”), is a nonprofit agency organized to support the Bozeman Public Library through raising, receiving, administering, and disbursing funds, grants, bequests and gifts for the benefit of the library. The Foundation was incorporated with the State of Montana on August 29, 1983, and subsequently amended on December 15, 1989. The governing board consists of an elected president and elected members of the board of directors.

The Foundation’s support comes primarily from donor contributions and various fundraising events. They are a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes.

Basis of Accounting

The financial statements of the Foundation are reported on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions represents net amounts that have been earned and expended according to contract restrictions and net amounts from generally unrestricted activities. The Board of Directors has voluntarily designated \$233,574 of net assets without donor restrictions in a Montana Community Foundation agency fund as of December 31, 2020. In addition, the Board of Directors has voluntarily designated \$1,449,622 of operating reserves for the library expansion project as of December 31, 2020.

Net assets with donor restrictions represents net assets subject to donor- (or certain grantor-) imposed restrictions. The Foundation had \$494,872 of net assets with donor restrictions as of December 31, 2020, primarily relating to contributions for an endowment and programs.

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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

As of December 31, 2020, the Foundation had \$200,000 of net assets restricted in perpetuity.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers cash and cash equivalents to be cash on hand, cash deposited with banks and financial institutions, money market funds, and all highly liquid investments available for current use with an original maturity of three months or less. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. As of December 31, 2020, cash and cash equivalents exceeded federally insured limits by \$305,832.

Artwork

Artwork consists of art prints generated from the donation of an original painting. Artworks are valued at the lower of cost or market and not considered material to the overall financial statements.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property, Equipment and Intangibles

Property, equipment and intangibles are carried at cost or, if donated, at the approximate fair value at the date of donation. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed. The Foundation follows the practice of capitalizing all expenditures or donations at fair market value in excess of \$2,500 for property, equipment and intangibles with a useful life of more than one year. The Foundation has elected to depreciate/amortize these assets using the straight-line method. Estimated useful life of the property, equipment and intangibles are as follows:

Website	5 years
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Compensated Absences

The Foundation has not accrued any compensated absences as amounts are not significant to the overall financial statements.

Functional Expenses

Expenses are charged directly to the program, to fundraising, or to the general and administrative based on specific identification; however, personnel and related costs are allocated between program, fundraising, and general and administrative. On an annual basis, management estimates allocation percentages based on overall time analysis provided by each employee.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

Contributed support is reported as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increase that net asset class. The Foundation records special event revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received when the event takes place.

Grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualified expenses. Consequently, all grants received as of December 31, 2020, have been recognized in the accompanying financial statements as all the conditions have been met.

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 12, 2021, the date on which the financial statements were available to be issued.

New Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. These standards amend certain aspects of the disclosure requirements for financial instruments, including amendments on changes in unrealized gains and losses, the range and weighted average of significant observable inputs used to develop Level 3 fair value measurements.

The Foundation adopted these standards on January 1, 2020. The adoption of these standards resulted in no change of the fair value of the Foundation's investments.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

2. Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis: Investments in mutual funds are valued based upon quoted market prices. Bank insured deposit funds are insured cash accounts and are valued at the closing cash balance.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

2. Investments (continued)

Cost and fair market value of investments as of December 31, 2020 are as follows:

	2020		
	Cost	Unrealized Gain	Fair Value
Bank insured deposit - Level 1	\$ 4,074	\$ -	\$ 4,074
Mutual funds - Level 1	4,200,555	351,358	4,551,913
	<u>\$ 4,204,629</u>	<u>\$ 351,358</u>	<u>\$ 4,555,987</u>

Components of investment income for the year ended December 31, 2020 consist of the following:

	2020
Interest and dividends	\$ 116,335
Investment fees	(19,596)
Realized gains	191,451
Unrealized gains	184,694
Total investment income	<u>\$ 472,884</u>

3. Endowment

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended December 31, 2020, fees paid for management of endowment funds were \$1,130.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as donor restricted net assets in perpetuity (a) the original value of gifts donated to the net assets without donor restrictions endowment, (b) the original value of subsequent gifts to the net assets without donor restrictions endowment, and (c) any accumulations to the net assets without donor restrictions endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

3. Endowment (continued)

In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Foundation to retain as a fund of perpetual direction. As of December 31, 2020, the endowment fund had no such deficiency.

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 operations 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(s).

The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The objective of the Organization's spending policy is to preserve the fair value 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.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

3. Endowment (continued)

Endowment net asset composition by type of fund as of December 31, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetuity	Total
Endowment net assets, beginning of year	\$ 58,943	\$ 35,774	\$ 200,000	\$ 294,717
Endowment net assets, end of year	\$ 63,487	\$ 66,999	\$ 200,000	\$ 330,486

Changes in net assets composition by type of fund for the year ended December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetuity	Total
Endowment net assets, as of December 31, 2019	\$ 58,943	\$ 35,774	\$ 200,000	\$ 294,717
Investment income:				
Withdrawal	(3,263)	-	-	(3,263)
Interest and dividends, net	1,593	6,371	-	7,964
Realized gains	1,772	7,086	-	8,858
Net appreciation (unrealized)	4,442	17,768	-	22,210
Endowment net assets, as of December 31, 2020	\$ 63,487	\$ 66,999	\$ 200,000	\$ 330,486

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

4. Beneficial Interest in Assets Held by Others

Pursuant to Financial Accounting Standards Boards Statement No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, the Foundation records amounts held by the Montana Community Foundation Endowment Agency. Under the terms of the agreement with Montana Community Foundation, earnings from the endowment are distributed each year. At the time of assets the Foundation granted variance power to the Montana Community Foundation. This gives Montana Community Foundation the right to modify any restrictions or conditions on the distributions of funds for any specified charitable purposes or to specified charitable organizations if, in the sole judgment of the Board of Directors of Montana Community Foundation, such restrictions or conditions become, in effect, unnecessary, undesirable, incapable of fulfillment, or inconsistent with the charitable needs of the state of Montana or the surrounding region. To start the fund, the Foundation made an initial investment of \$151,627. At December 31, 2020 the endowment fund had a value of \$245,256 which is reported in the statement of financial position as a beneficial interest assets held by others and included in net assets without donor restrictions – board designated.

5. Endowment Funds Held by Others

The Montana Community Foundation has endowment funds held on behalf of Bozeman Public Library Foundation at December 31, 2020 in the amount of \$132,638. During the year ended December 31, 2020, the Foundation transferred contributions totaling \$300 to the fund. This amount does not qualify to be recorded on the statement of financial position of the Foundation, but may provide an income stream in perpetuity.

6. Notes Payable

The Foundation previously held a 0% note payable due to David Kingman, dated August 1, 2017. The balance of \$75,000 was due within 1 year of substantial completion of the Labyrinth Project, payable in a lump sum payment. In 2018 and 2019, \$30,000 of the loan balance was forgiven and converted to contribution revenue. During the year ended December 31, 2020, the remaining \$15,000 of this note was forgiven by Mr. Kingman and converted to contribution revenue.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 569,010
Investment income receivable	15,502
Investments	4,555,987
Net assets with donor restrictions	<u>(494,872)</u>
 Total Financial Assets Available	 <u>\$ 4,645,627</u>

The Foundation is primarily supported by contributions, grants and investment income. As a part of the Foundation's liquidity management, management reviews its liquidity on a monthly basis with the board of directors.

8. Retirement Plan

Bozeman Public Library Foundation offers employees the opportunity to participate in a contributory retirement plan. Under the plan, eligible employees are allowed to make contributions to a SIMPLE IRA plan, and the Organization will contribute a matching contribution to each eligible employee's plan, equal to the employee's contributions, up to a limit of 3% of the employee's compensation for the calendar year. The Organization's contributions totaled \$3,108 for the year ended December 31, 2020.

9. Donated Services, Materials, and Facilities

The following in-kind donations were recognized for the year ended December 31, 2020:

Children's department	\$ 1,420
Office and administrative	56
Library Expansion planning	1,200
Library support	1,620
Professional fees	10,200
Outreach and adult education	<u>272</u>
	<u>\$ 14,768</u>

The in-kind support was used for program services, fundraising, and general and administrative purposes.

Bozeman Public Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2020

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2020:

Anderson Endowment - Perpetuity	\$ 200,000
Anderson Endowment - Teen Library	66,999
Big Sky Reads	276
Bookmobile Operating	174,341
Census Grant	300
CFOB	2,726
Children's	6,839
Holocaust	1,925
Labyrinth	10,746
Meyerson Foundation Tech Match	11,202
SymBozium	19,518
	<hr/>
	\$ 494,872

11. Coronavirus Pandemic

The Foundation has been impacted by the effects of the worldwide coronavirus pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.

12. Paycheck Protection Program (PPP) Loan and Subsequent Event

The Foundation was granted a \$39,600, 1% interest loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended December 31, 2020. Subsequent to December 31, 2020, the Foundation was legally released from the loan obligation by the SBA and recognized \$39,600 of loan forgiveness income in January 2021.