RICHLAND LIBRARY FRIENDS
AND FOUNDATION

Financial Statements
Year Ended June 30, 2020
and
Independent Auditor's Report

J. W. Hunt and Company
Certified Public Accountants

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AND FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Richland Library Friends and Foundation

We have audited the accompanying financial statements of Richland Library Friends and Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richland Library Friends and Foundation as of June 30, 2020, 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.

J. W. Hunt and Company

December 15, 2020

RICHLAND LIBRARY FRIENDS AND FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS:		
Cash	$	238,824
Restricted cash		25,000
Book inventory		17,820
Prepaid expenses		581
Contributions receivable		43,800
Investments		732,959
Total assets	$	1,058,984
LIABILITIES:		
Accounts payable	$	21,305
Due to Richland Country Public Library		72,358
Total liabilities		93,663
NET ASSETS:		
Without donor restrictions:		
Undesignated		606,419
Designated		49,932
With donor restrictions		308,970
Total net assets		965,321
Total liabilities and net assets	$	1,058,984

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RICHLAND LIBRARY FRIENDS AND FOUNDATION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES:			
Contributions	$ 140,054	$ 26,055	$ 166,109
Event revenues (net of $78,025 in direct expenses)	18,734	-	18,734
Investment return, net	(102)	20,777	20,675
Net assets released from restriction:			
Satisfaction of program restrictions	94,372	(94,372)	-
Total revenues	253,058	(47,540)	205,518
EXPENSES AND LOSSES:			
Program expenses:			
General operations	56,400	-	56,400
Supporting services expenses:			
Fundraising	30,503	-	30,503
Library support	189,345	-	189,345
Total expenses	276,248	-	276,248
Book inventory write off	61,549	-	61,549
Total expenses and losses	337,797	-	337,797
Change in net assets	(84,739)	(47,540)	(132,279)
NET ASSETS, JULY 1, 2019	741,090	356,510	1,097,600
NET ASSETS, JUNE 30, 2020	$ 656,351	$ 308,970	$ 965,321

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

RICHLAND LIBRARY FRIENDS AND FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (132,279)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net unrealized gain on investments	31,562
Net realized loss on sale of investments	(13,700)
Noncash contributions	(6,527)
Change in operating assets and liabilities:	
Accounts receivable	1,028
Inventory	80,511
Prepaid expenses	376
Contributions receivable	(12,150)
Accounts payable	19,968
Due to Richland County Public Library	32,400
Net cash provided by operating activities	1,189
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(365,205)
Proceeds from sale of investments	307,396
Net cash used by investing activities	(57,809)
NET DECREASE IN CASH	(56,620)
CASH, JULY 1, 2019	295,444
CASH, JUNE 30, 2020	$ 238,824

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Richland Library Friends and Foundation (Foundation) is a legally separate non-profit corporation that was formed by interested parties to increase financial support to broaden and diversify the Richland County Public Library's (Library) ability to serve the citizens of Richland County, South Carolina beyond the public funding the Library receives. The Foundation is considered a component unit of the Library since its resources are entirely held for the benefit of the Library, the Library can request funds on an as-needed basis, and the resources of the Foundation are material to the Library's financial statements. Therefore, the financial statements of the Foundation are also included in the Library's financial statements.

The accompanying financial statements present the financial position and results of operations of the Foundation and do not include any financial information of the Library.

The Foundation is a private non-profit organization that reports under the Financial Accounting Standards Board (FASB) standards.

Date of Management's Review:

Subsequent events were evaluated through December 15, 2020, which is the date the financial statements were available to be issued.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements as net assets released from restrictions by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Assets are sequenced on the statement of financial position in general accordance with their nearness of conversion to cash. Liabilities are sequenced in general accordance with the nearness of their maturity and resulting use of cash. The statement of activities presents expenses by functional classification in accordance with the overall mission of the Foundation. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. An unconditional promise to give is a promise which is not dependent on the occurrence of a specified future event to bind the promisor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, creditworthiness of donors, nature of the fundraising activity, and other relevant information.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid debt instruments with initial maturities of three months or less that are available for the general use of the Foundation. Short-term liquid investments that are not available for the general use of the Foundation (such as those restricted for endowments) are not considered cash and cash equivalents. The Foundation had no cash equivalents as of June 30, 2020.

Book Inventory:

Book inventory is valued at the lower of cost or market using the average cost method.

Investment Valuation and Income Recognition:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain or loss includes gains and losses on investments bought and sold as well as held during the year. Securities or other investments donated to the Foundation are recorded at their fair value at the date of the gift.

Revenue Recognition:

Fundraising events, such as Literary Vine and book sales, are recorded as revenue upon their completion. These revenues are deferred until the time they are earned. Only direct expenses are charged against the fundraising events. Contributions are recognized as revenues in the period received except book donations which are carried in inventory until sold and then the revenue is recognized.

Income Taxes:

The Foundation has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. Management has determined that the Foundation has no current obligations for unrelated business income tax. Accordingly, no provisions for federal and state income taxes are required. The Foundation is not classified as a private foundation.

The Foundation has determined that there are no uncertain positions taken or expected to be taken requiring recognition as liabilities or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, the Foundation’s tax returns remain open for three years to federal income tax examinations.

Risks and Uncertainties:

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of financial position.

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19 including restrictions on business operations, public gatherings and travel, as well as stay-at-home orders, social distancing, and quarantines. COVID-19 is having a significant effect on overall economic conditions in nearly all regions around the world and has caused volatility in financial markets, which may continue to affect the market price of the College's investment portfolio. While this is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 cannot be reasonably estimated at this time.

Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the recorded 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. Accordingly, actual results could differ from those estimates. Significant estimates made by management include the reserve for contributions receivable, the present value of multi-year contributions, and the reclassification of net assets with donor restrictions.

Accounting Pronouncements Adopted:

As of July 1, 2019, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts, and establishes a performance obligation approach to revenue recognition. Following the adoption of the ASU, the Foundation continues to recognize revenue from contributions in the period received and revenue from fundraising events in the period completed. There was no material impact to the financial statements as a result of the adoption of the ASU. The ASU has been applied retrospectively with no effect on net assets or previously issued financial statements.

ASU 2018-08 is intended to clarify and improve the accounting guidance for contributions received and made. There was no impact to the Foundation's revenue recognition practices or to the financial statements as a result of the adoption of the ASU, which has been applied prospectively.

NOTE 2 - CONTRIBUTIONS RECEIVABLE:

Contributions receivable at June 30, 2020 are expected to be collected as follows:

Less than one year	$	20,000
One to five years		23,800
Contributions receivable	$	43,800

NOTE 3 - INVESTMENTS:

Investments at June 30, 2020 are summarized as follows:

	Fair Value	Acquisition Cost
Mutual funds	$ 732,959	$ 700,817

Investment return for the year ended June 30, 2020 is as follows:

Interest income	$ 46,758
Net realized gain on sale of investments	13,700
Net unrealized loss on investments	(31,562)
Total investment return	28,896
Less, investment expenses	(8,221)
Investment return, net	$ 20,675

NOTE 4 - FAIR VALUE MEASUREMENTS:

The framework for measuring fair value provides a 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.

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 Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies from the prior year.

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

Contributions receivable - Valued using present value techniques with unobservable market inputs.

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. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2020:

Fair Value as of June 30, 2020

	Level 1	Level 3	Total
Investments:			
Mutual funds:			
Lord Abbett Short Duration Income	$ 54,736	$ -	$ 54,736
American Mut Fund Inc	78,846	-	78,846
PIMCO FDS Income FD	156,441	-	156,441
First Eagle Sogen Overseas Fund	50,418	-	50,418
AB Cap FD Inc.	157,532	-	157,532
Janus Henderson Enterprise Fund	72,343	-	72,343
Principal Midcap Fund	117,702	-	117,702
Ivy Investments Small Cap Core Fund	44,941	-	44,941
Contributions receivable	-	43,800	43,800
Total	$ 732,959	$ 43,800	$ 776,759

Changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2020 are as follows:

	Contributions Receivable
Fair value, July 1, 2019	$ 31,650
New pledges	39,000
Pledge payments received	(26,850)
Fair value, June 30, 2020	$ 43,800

NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Foundation's financial assets consisted of the following at June 30, 2020:

Cash	$	238,824
Restricted cash		25,000
Contributions receivable, net		43,800
Investments		732,959
Total financial assets	$	1,040,583

As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	$	145,161
Investments not subject to donor or board restrictions		492,789
Total	$	637,950

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures within one year, the Foundation expects to release approximately $5,310 from donor-restricted financial assets over the next 12 months to meet expected costs. In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 6 - FUNCTIONAL EXPENSES:

The cost of providing program services and supporting activities has been summarized on a functional basis in the table below. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities. There are no functional expenses that require allocation between activities.

	OPERATIONS	FUNDRAISING	LIBRARY SUPPORT	TOTAL
Capital projects	$ -	$ -	$ 94,308	$ 94,308
Programming	-	-	75,000	75,000
Legal and professional fees	37,825	21,931	-	59,756
Other	8,135	-	13,874	22,009
Training and meetings	1,841	-	3,663	5,504
Scholarships	-	1,530	2,500	4,030
Postage and shipping	393	4,702	-	5,095
Bank fees	2,847	-	-	2,847
Insurance	3,462	-	-	3,462
Supplies	1,897	2,340	-	4,237
Total functional expenses	$ 56,400	$ 30,503	$ 189,345	$ 276,248

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes:

Time or Purpose Restrictions:	
Learning centers	$ 2,062
Capital improvements - Cooper Branch	55,264
Local history room	107,464
Books	61,969
Children's room	23,639
Scholarships	20,828
Teen Center	658
Art education	8,838
Edgewood campaign	3,248
Total time or purpose restrictions	283,970
Perpetual Restrictions:	
Art education	25,000
Total net assets with donor restrictions	$ 308,970

NOTE 8 - ENDOWMENT

The Foundation's endowment consists of one fund under its control and established by a donor for promoting contemporary art education. Net assets associated with this endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The South Carolina Code of Laws (Chapter 6, Title 34) incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) relating to prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. The legislation specifies factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an organization's endowment funds.

The Foundation's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

(1) The duration and preservation of the fund
(2) The purposes of the organization 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
(7) The investment policies of the Foundation

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions		
	Time or Purpose	Perpetual	Total
Endowment net assets, July 1, 2019	$ 7,127	$ 25,000	$ 32,127
Investment return	1,711	-	1,711
Endowment net assets, June 30, 2020	$ 8,838	$ 25,000	$ 33,838

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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies could result from unfavorable market fluctuations and continued appropriation for certain programs that were previously approved as critical initiatives deemed prudent by the Board of Trustees. There were no such deficiencies as of June 30, 2020.

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 donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the objective of preserving the long-term, real purchasing power of assets while providing relatively predictable and growing assets.

Strategies Employed for Archiving Objectives

For the purpose of making distributions, the portfolio shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation seeks to reduce the variability of portfolio distributions by factoring past spending and portfolio asset values into its current spending decisions. The Foundation reviews its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the spending policy, its target asset allocation, or both.

NOTE 9 - RELATED PARTY TRANSACTIONS:

During the current year, the Foundation paid $189,345 for library support. The Foundation also uses resources, such as facility and staff, of the Library.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash, temporary cash investments, and receivables for unconditional promises to give. At June 30, 2020, the Foundation did not have cash in excess of such limits, and has not experienced any losses in such accounts. Thus, the Foundation believes it is not exposed to any significant credit risk related to cash. Concentrations of credit risk with respect to receivables for unconditional promises to give are limited due to the number and types of contributors comprising the Foundation's contributor base.