



**PIONEER**  
**LIBRARY SYSTEM**  
**FOUNDATION**

Audit of Financial Statements

For the Year Ended June 30, 2022 and 2021

Pioneer Library System Foundation  
Index  
June 30, 2022 and 2021

	Page
Independent Auditors' Report	3
Statements of Financial Position June 30, 2022 and 2021	5
Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022	6
Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2021	7
Statement of Functional Expenses For the Year Ended June 30 2022	8
Statement of Functional Expenses For the Year Ended June 30 2021	9
Statements of Cash Flows For the Years Ended June 30, 2022 and 2021	10
Notes to Financial Statements	11



# Gray, Blodgett & Company, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS ADVISORS

629 24TH AVE SW  
NORMAN, OKLAHOMA 73069  
(405) 360-5533 FAX (405) 364-3771

TED BLODGETT, CPA, CVA, ABV, JD  
C. JANESE SHEPARD, CPA  
ROSS H. ROYE, CPA  
SAM BLODGETT, CPA  
CYNTHIA K. BYARS, CPA  
JERRY D. KING, CPA  
BLAKE T. MCGUCKIN, CPA  
BREE MONTOYA, CPA, CVA, ABV  
RHONDA E. RAY, CPA  
BRIAN C. WILKINS, CPA  
TIM WILSON, CPA  
JASON D. WINTERS, CPA

## INDEPENDENT AUDITORS' REPORT

October 28, 2022

To the Board of Directors of  
Pioneer Library System Foundation  
Norman, Oklahoma

### Opinion

We have audited the accompanying financial statements of Pioneer Library System Foundation a component unit of Pioneer Library System which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Library System Foundation (a nonprofit Organization) as of June 30, 2022 and 2021, 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 (GAAP).

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pioneer Library System Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors of  
Pioneer Library System Foundation  
October 28, 2022

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pioneer Library System Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pioneer Library System Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

GRAY, BLODGETT & COMPANY, PLLC  
*Gray, Blodgett & Company, PLLC*

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash, cash equivalents and restricted cash	\$ 346,802	\$ 280,195
Grants receivable	17,424	30,577
Pledges receivable	5,383	6,164
Accrued interest receivable	117	28
Beneficial interest in asset held by others	<u>62,640</u>	<u>72,732</u>
 Total Assets	 <u>\$ 432,366</u>	 <u>\$ 389,696</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ <u>26,501</u>	\$ <u>6,906</u>
 Total Liabilities	 <u>26,501</u>	 <u>6,906</u>
Net Assets		
Without donor restrictions	203,005	212,737
With donor restrictions	<u>202,860</u>	<u>170,053</u>
 Total Net Assets	 <u>405,865</u>	 <u>382,790</u>
 Total Liabilities and Net Assets	 <u>\$ 432,366</u>	 <u>\$ 389,696</u>

The accompanying notes are an integral part of these financial statements.

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 97,991	\$ 47,858	\$ 145,849
Grants	-	114,184	114,184
Investment Income	1,033	-	1,033
Net Change in Beneficial Assets Held by Others	(1,333)	(6,505)	(7,838)
Miscellaneous Income	25	-	25
In-Kind Contributions	<u>1,288</u>	<u>-</u>	<u>1,288</u>
Total Revenues	<u>99,004</u>	<u>155,537</u>	<u>254,541</u>
Net Assets Released From Restriction	<u>122,730</u>	<u>(122,730)</u>	<u>-</u>
Expenses			
Programs	223,241	-	223,241
Management and General	7,775	-	7,775
Fundraising	<u>450</u>	<u>-</u>	<u>450</u>
Total Expenses	<u>231,466</u>	<u>-</u>	<u>231,466</u>
Change in net assets	(9,732)	32,807	23,075
Net assets, beginning of year	<u>212,737</u>	<u>170,053</u>	<u>382,790</u>
Net assets, end of year	<u>\$ 203,005</u>	<u>\$ 202,860</u>	<u>\$ 405,865</u>

The accompanying notes are an integral part of these financial statements.

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 59,936	\$ 1,604	\$ 61,540
Grants	-	89,809	89,809
Investment Income	859	-	859
Net Change in Beneficial Assets Held by Others	2,650	12,936	15,586
In-Kind Contributions	<u>1,490</u>	<u>-</u>	<u>1,490</u>
Total Revenues	<u>64,935</u>	<u>104,349</u>	<u>169,284</u>
Net Assets Released From Restriction	<u>63,353</u>	<u>(63,353)</u>	<u>-</u>
Expenses			
Programs	84,241	-	84,241
Management and General	1,318	-	1,318
Fundraising	<u>1,491</u>	<u>-</u>	<u>1,491</u>
Total Expenses	<u>87,050</u>	<u>-</u>	<u>87,050</u>
Change in net assets	41,238	40,996	82,234
Net assets, beginning of year	<u>171,499</u>	<u>129,057</u>	<u>300,556</u>
Net assets, end of year	<u>\$ 212,737</u>	<u>\$ 170,053</u>	<u>\$ 382,790</u>

The accompanying notes are an integral part of these financial statements.

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - Program Presenters	\$ 25,281	\$ -	\$ -	\$ 25,281
Grants - Materials for Programs	102,426	-	-	102,426
Gifts - Program Presenters	18,765	-	-	18,765
Gifts - Materials for Programs	76,256	-	-	76,256
Bad Debt Expense	-	491	-	491
In-Kind Donations	513	325	450	1,288
Occupancy Expense	-	1,000	-	1,000
Legal Expense	-	6,373	-	6,373
Miscellaneous Expense	-	(414)	-	(414)
Total Expenses	<u>\$ 223,241</u>	<u>\$ 7,775</u>	<u>\$ 450</u>	<u>\$ 231,466</u>

The accompanying notes are an integral part of these financial statements.



PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - Program Presenters	\$ 7,195	\$ -	\$ -	\$ 7,195
Grants - Materials for Programs	56,004	-	-	56,004
Gifts - Program Presenters	9,451	-	-	9,451
Gifts - Materials for Programs	11,591	-	-	11,591
Bad Debt Expense	-	180	-	180
In-Kind Donations	-	-	1,490	1,490
Occupancy Expense	-	1,000	-	1,000
Miscellaneous Expense	-	138	1	139
Total Expenses	<u>\$ 84,241</u>	<u>\$ 1,318</u>	<u>\$ 1,491</u>	<u>\$ 87,050</u>

The accompanying notes are an integral part of these financial statements.

PIONEER LIBRARY SYSTEM FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 23,075	\$ 82,234
Adjustments to reconcile net income (loss) to net cash provided (used ) by operating activities		
Non-cash changes in beneficial assets held by others	7,838	(15,586)
(Increase) decrease in receivables	13,845	(30,260)
Increase (decrease) in payables	<u>19,595</u>	<u>(1,455)</u>
Net Cash Provided (Used) by Operating Activities	<u>64,353</u>	<u>34,933</u>
Cash Flows From Investing Activities		
Beneficial interest in assets held by others	2,704	-
Board Contribution to beneficial interest in assets held by others	<u>(450)</u>	<u>(1,322)</u>
Net Cash Provided (Used) by Investing Activities	<u>2,254</u>	<u>(1,322)</u>
Net increase (decrease) in cash	66,607	33,611
Cash, cash equivalents, and restricted cash beginning of year	<u>280,195</u>	<u>246,584</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 346,802</u>	<u>\$ 280,195</u>
<u>Supplemental Information</u>		
Cash	\$ 193,441	\$ 188,150
Restricted Cash	<u>153,361</u>	<u>92,045</u>
Total cash, cash equivalents and restricted cash	<u>\$ 346,802</u>	<u>\$ 280,195</u>

The accompanying notes are an integral part of these financial statements

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 2022 AND 2021

Note 1 - Organization

The Pioneer Library System Foundation (The Foundation) was incorporated on October 7, 2009.

The purpose of the Foundation is to support, promote, and improve the programs, collections, facilities and services of the Pioneer Library System (Library). The Pioneer Library System serves communities in Cleveland, McClain and Pottawatomie counties in Oklahoma. The Foundation's primary source of funding is grants and donations. The Foundation is a component unit of the Pioneer Library System and is included in the financial statements of the Library.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation – The accompanying financial statements are prepared on the accrual basis of accounting and include all material amounts receivable and payable, and all other significant liabilities and prepaid expenses of the funds reported.

Financial Statement Presentation - The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958), Financial Statements of Not-for-Profit Organizations; the Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the action of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Foundation does not imply time restrictions on gifts of long-lived assets. Permanently restricted net assets in the amount of \$45,358 and \$44,908 were held by the Foundation for the year ended June 30, 2022 and 2021 respectively.

Cash and Cash Equivalents – The Foundation considers all cash on hand, demand deposits, money market checking and certificates of deposit, held at an individual bank which are subject to early withdrawal penalties no matter what maturity the period, to be cash. At June 30, 2022 and 2021, cash equivalents consisted of cash.

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

Grant Revenues – Grant revenues are recognized in revenue when earned based on performing conditional requirements as stated in the related grant agreement, if any.

Receivables – The Foundation makes no allowance for doubtful accounts, as all amounts are considered collectible. The Foundation writes off doubtful accounts in the period collectability becomes questionable. For the year ended June 30, 2022 and 2021, the Foundation wrote off \$491 and \$180 in pledges receivable, respectively.

Capital Assets – The Foundation did not acquire any depreciable assets during the fiscal years ended June 30, 2022 and 2021.

Fair Market Value Measurement – Fair Value is defined as “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.”

Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices for identical assets or liabilities that are observable in the market place. For example, Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices are observable for the asset or liability (such as interest rates and yield curves, volatilities, prepayment speed, loss severities, credit risks, and default rates), and market-corroborated inputs.

Level 3 – Inputs that are unobservable (supported by little or no market activity) and are significant to the fair value measurement. Unobservable inputs reflect the Foundation’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial assets and liabilities carried at fair value on a recurring basis include beneficial interest in assets held by others. The Foundation has no financial assets or liabilities carried at fair value on a non-recurring basis in 2022 or 2021.

Contributions – Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

FASB ASC 958-605-25-16 states that for the value of donated services to be recognized in the financial statements, the services must either (a) create or enhance a nonfinancial asset or (b) require specialized skills that would be purchased if they were not donated. The Foundation received services from volunteers that form an integral part of the efforts of the Foundation as it presently exists. If not for volunteers, these services would have to be performed by paid personnel in order for the Foundation to continue its current level of operations. The Foundation controls the duties of the service donors including time, location, nature and performance and has a clearly measurable basis

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

for the amount listed. However, since the services are not specialized and do not create or enhance a nonfinancial asset, the amounts have not been recorded in these financial statements.

In-Kind Donations – The Foundation records the value of donated items when there is an objective basis available to measure their value. Donated items are reflected as in-kind contributions in the accompanying statements at their estimated value at the date of receipt.

Volunteers regularly donate their time to the Foundation’s program services. No value for these volunteer hours has been recorded in the statement of activities.

Functional Expenses – The costs of providing program and other cost activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include in-kind donations and miscellaneous. The method of allocation used for both of these expenses was time and effort.

Income Tax Status - The Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal or state income taxes had been recorded. There was no interest or penalties to the Internal Revenue Service included in these financial statements. The Foundation’s tax returns are generally subject to examination by the Internal Revenue Service and the State of Oklahoma for a period of three years from the date they are to be filed.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement – In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases the transparency of contributed nonfinancial assets (in-kind donations) through enhancements to both presentation and disclosure. The amendment has been applied retrospectively to all periods presented. There was no effect on net assets and no changes affecting 2021.

Several other standards, ASU 2017-11, *Earnings Per Share*, ASU 2017-12, *Derivatives and Hedging*, ASU 2018-15, *Intangibles-Goodwill and Other Internal Use Software*, ASU 2018-16, *Derivatives and Hedging*, ASU 2018-17, *Consolidation*, ASU 2018-19, *Codification Improvements to Topic 326*, ASU 2018-20, *Leases*, ASU 2019-01, *Leases*, ASU 2019-02, *Entertainment-Films-Other Assets-Film Costs*, ASU 2019-05, *Financial Instruments-Credit Losses*, ASU 2019-06, *Intangibles-Goodwill and Other*, ASU 2019-10, *Financial Instruments-Credit Losses*, ASU 2019-11, *Codification Improvements to Topic 326*, *Financial Instruments-Credit Losses*, ASU 2020-03, *Codification Improvements to Financial Instruments*, ASU 2020-05, *Revenue from Contracts With Customers and Leases*, ASU 2020-01, *Reference Rate Reform (Topic 848)*, ASU 2021-02, *Franchisors – Revenue from Contracts with Customers*, ASU 2021-03, *Intangibles-Goodwill and Other*, became effective for this fiscal year but don’t apply to the Foundation.

PIONEER LIBRARY SYSTEM FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022 AND 2021

Risks and Uncertainties – Subsequent events have been evaluated through the issuance date of this report. The future effects of the pandemic are unknown at this time. Because the Library is substantially funded through ad valorem taxes, the Library itself has not suffered any significant decreases in revenue streams to date. The Library has returned to pre-pandemic service levels at all of its locations. Programs continue to be converted to a digital format, if feasible, and programs are still being offered via a digital platform.

The Foundation received several health literacy grants from the Oklahoma Department of Libraries.

The Foundation received two grants from the NAC to fund its Jazz in June and Black History Month programs for 2022.

The Foundation’s Touch a Truck fundraiser is scheduled for September and the number of vehicles in attendance is and the funds raised are expected to be more than last year. The other planned fundraiser in the fall will be an in-person event again for the first time since the pandemic.

Note 3 – Liquidity and Availability

The following represents the Foundation’s financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 346,802	\$ 280,195
Grants receivable	17,424	30,577
Contributions receivable	5,383	6,164
Accrued interest receivable	117	28
Investments	62,640	72,732
Total Financial Assets	432,366	389,696
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(200,860)	(170,053)
Endowment established by the board	(10,776)	(12,569)
Financial assets available to meet general expenditures over the next twelve months	\$ 220,730	\$ 207,074

The Foundation’s goal is to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is held in an interest bearing checking account.

Note 4 – Cash

The Foundation maintains cash balances at a two financial institution in Norman, Oklahoma. The Federal Deposit Insurance Corporation insures balances at each institution up to \$250,000. There were no uninsured funds at June 30, 2022.

Note 5 – Grants Receivable

The Foundation submits requests for reimbursement to grantors for certain grant funds. As of June 30, 2022 and 2021, the Foundation had outstanding requests for reimbursements and accruals due from the following:

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Communities Foundation of Oklahoma	\$ 3,038	\$ -
National Network of Libraries and Medicine	2,000	-
Norman Arts Council	9,801	2,450
Oklahoma Humanities Council	-	10,000
Oklahoma Partnership for School Readiness	-	15,000
Pioneer Library System	2,585	3,127
Total	\$ 17,424	\$ 30,577

All amounts were considered collectible at June 30, 2022 and 2021.

Note 6 – Beneficial Interest in Assets Held by Others

The Foundation transferred funds to the Communities Foundation of Oklahoma, Inc. (CFO) and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to the Foundation according to the CFO’s distribution policy. The CFO maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Foundation elected to receive a distribution for the year ended June 30, 2022 but not for 2021. In lieu of a distribution for 2021, the amount is rolled back into the funds with the CFO.

The CFO maintains legal ownership of the funds. However, accounting principles generally accepted in the United States of America require the Foundation to reflect its beneficial interest in these assets in its financial statements. At June 30, 2022 and 2021, assets transferred to the CFO by the Foundation had a fair value of \$62,640 and \$72,732 respectively.

In addition to the funds discussed above, the CFO maintains other funds that have been contributed by various donors to the CFO for the benefit of the Foundation. These funds are not included in the assets of the Foundation. The earnings from these funds are paid to the Foundation each year in accordance with the CFO’s spending policy. The Foundation received a distribution of \$334 and \$311 from these funds for the year ended June 30, 2022 and 2021 respectively. At June 30, 2017, the Foundation met the match requirement of \$25,000 and received a \$5,000 match from the CFO. The value of these matching funds at June 30, 2022 and 2021 was \$8,323 and \$7,256 respectively. The Foundation has no remainder interest in the corpus of these funds.

Note 7 – Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of assets and liabilities reported at fair market value in the accompanying financial statements.

Beneficial interest in assets held by others: The fair value of the beneficial interest in assets held by the CFO is based on the fair value of fund investments as reported by the CFO. Since there is no market value for similar assets (i.e., beneficial interest in assets held by others), these are considered to be Level 3 measurements.

The Foundation has no liabilities measured at fair value. As of June 30, 2022 and 2021, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

<u>2022</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ 62,640	\$ 62,640
Total assets accounted for at Fair Value	<u>\$ 62,640</u>	<u>\$ 62,640</u>
<u>2021</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ 72,732	\$ 72,732
Total assets accounted for at Fair Value	<u>\$ 72,732</u>	<u>\$ 72,732</u>

Change in the fair value of the Foundation’s Level 3 financial assets, beneficial interest in assets held by the other for the year ending June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of year	\$ 72,732	\$ 55,824
Contributions	450	1,322
Net Investment Performance	<u>(10,542)</u>	<u>15,586</u>
Balance at end of year	<u>\$ 62,640</u>	<u>\$ 72,732</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Foundation by the CFO. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees and is included in change in value of beneficial interest in assets held by others in the statement of activities. Distributions from the CFO decrease the Foundation’s beneficial interest and increase cash at the time of distribution.

Note 8 – Endowment

The Foundation’s endowments consist of a beneficial interest in assets held by others with the Communities Foundation of Oklahoma which was created through donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation follows the Accounting Standards Codification’s guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The State of Oklahoma enacted the Uniform Prudent Management of Institutional Funds Act (“OK UPMIFA”) effective November 1, 2007.

The Board of Directors of the Foundation has interpreted OK UPMIFA 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



PIONEER LIBRARY SYSTEM FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

Foundation classifies as permanently restricted net assets (a) the original value of the 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 net assets with restrictions until the funds are appropriated for spending in accordance with spending policies.

In accordance with OK UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds held for the benefit of the Foundation.

- (1) The duration and preservation of the fund;
- (2) The purpose 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

Endowment net assets composition by type of fund and changes in endowment net assets for the years ended June 30, 2022 and 2021 is as follows:

<u>2022</u>	<u>Without Donor Restriction</u>	<u>With Time/Purpose Donor Restriction</u>	<u>With Perpetual Donor Restriction</u>	<u>Total</u>
Endowment net assets				
Beginning of year	\$ 12,569	\$ 15,255	\$ 44,908	\$ 72,732
Contributions	-	-	450	450
Investment return	(1,213)	(5,921)	-	(7,134)
Investment management fees	(120)	(584)	-	(704)
Distributions	(460)	(2,244)	-	(2,704)
Endowment net assets				
End of year	<u>\$ 10,776</u>	<u>\$ 6,506</u>	<u>\$ 45,358</u>	<u>\$ 62,640</u>
<u>2021</u>	<u>Without Donor Restriction</u>	<u>With Time/Purpose Donor Restriction</u>	<u>With Perpetual Donor Restriction</u>	<u>Total</u>
Endowment net assets				
Beginning of year	\$ 9,608	\$ 2,319	\$ 43,897	\$ 55,824
Contributions	311	-	1,011	1,322
Investment return	2,758	13,466	-	16,224
Investment management fees	(108)	(530)	-	(638)
Endowment net assets				
End of year	<u>\$ 12,569</u>	<u>\$ 15,255</u>	<u>\$ 44,908</u>	<u>\$ 72,732</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States

PIONEER LIBRARY SYSTEM FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022 AND 2021

of America, if deficiencies of this nature are present, they will be reported in net assets without donor restriction.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has adopted the investment and spending policies of the Communities Foundation of Oklahoma for 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.

Note 9 – Net assets with donor restriction

Total net assets with donor restriction as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Purpose restricted net assets	\$ 482	\$ 23,109
Time restricted net assets	157,020	91,701
Perpetually restricted net assets	<u>45,358</u>	<u>44,908</u>
 Total net assets with donor restriction	 <u>\$ 202,860</u>	 <u>\$ 170,053</u>

Net assets restricted in perpetuity consist of endowment funds restricted by donors. Earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation and are included above as endowment purpose funds.

Net assets as of June 30, 2022 and 2021 restricted by the donor with purposes restrictions:

	<u>2022</u>	<u>2021</u>
Books and other reading materials	<u>\$ 482</u>	<u>\$ 23,109</u>

Net assets as of June 30, 2022 and 2021 that are time restricted:

	<u>2022</u>	<u>2021</u>
System wide programing	<u>\$ 157,020</u>	<u>\$ 91,701</u>

Note 10 – Related Party Transactions

The Foundation has a fiduciary relationship with the Library, whereby the Foundation seeks public and private support on behalf of the library.

The Library provides office space for Foundation activities, as well as, handling the day to day operations of the Foundation. The Foundation has an agreement to reimburse the Library \$1,000 annually for these services.

The Foundation had payables due to the Library System in the amount of \$15,879 and \$5,730 at June 30, 2022 and 2021 respectively.