



PIONEER
LIBRARY SYSTEM
FOUNDATION

Audit of Financial Statements

For the Years Ended June 30, 2023 and 2022

Pioneer Library System Foundation
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June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

October 6, 2023

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, 2023 and 2022 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, 2023 and 2022, 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 6, 2023

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
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash, cash equivalents and restricted cash	\$ 426,747	\$ 346,802
Grants receivable	5,174	17,424
Pledges receivable	-	5,383
Accrued interest receivable	251	117
Beneficial interest in asset held by others	<u>72,866</u>	<u>62,640</u>
 Total Assets	 <u>\$ 505,038</u>	 <u>\$ 432,366</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	<u>\$ 12,087</u>	<u>\$ 26,501</u>
 Total Liabilities	 <u>12,087</u>	 <u>26,501</u>
Net Assets		
Without donor restrictions	302,116	203,005
With donor restrictions	<u>190,835</u>	<u>202,860</u>
 Total Net Assets	 <u>492,951</u>	 <u>405,865</u>
 Total Liabilities and Net Assets	 <u>\$ 505,038</u>	 <u>\$ 432,366</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 166,110	\$ -	\$ 166,110
Grants	-	70,577	70,577
Investment Income	4,471	-	4,471
Net Change in Beneficial Assets Held by Others	7,526	5,840	13,366
In-Kind Contributions	<u>6,316</u>	<u>-</u>	<u>6,316</u>
Total Revenues	<u>184,423</u>	<u>76,417</u>	<u>260,840</u>
Net Assets Released From Restriction	<u>88,442</u>	<u>(88,442)</u>	<u>-</u>
Expenses			
Programs	156,571	-	156,571
Management and General	3,890	-	3,890
Fundraising	<u>13,293</u>	<u>-</u>	<u>13,293</u>
Total Expenses	<u>173,754</u>	<u>-</u>	<u>173,754</u>
Change in net assets	99,111	(12,025)	87,086
Net assets, beginning of year	<u>203,005</u>	<u>202,860</u>	<u>405,865</u>
Net assets, end of year	<u>\$ 302,116</u>	<u>\$ 190,835</u>	<u>\$ 492,951</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - Program Presenters	\$ 35,602	\$ -	\$ -	\$ 35,602
Grants - Materials for Programs	64,349	-	-	64,349
Gifts - Program Presenters	28,285	-	-	28,285
Gifts - Materials for Programs	28,195	-	-	28,195
Bad Debt Expense	-	182	-	182
In-Kind Donations	140	-	6,176	6,316
Legal Expense	-	3,744	-	3,744
Miscellaneous Expense	-	(36)	7,117	7,081
Total Expenses	<u>\$156,571</u>	<u>\$ 3,890</u>	<u>\$ 13,293</u>	<u>\$ 173,754</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
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 87,086	\$ 23,075
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Non-cash changes in beneficial assets held by others	(5,771)	7,838
(Increase) decrease in receivables	17,499	13,845
Increase (decrease) in payables	<u>(14,414)</u>	<u>19,595</u>
Net Cash Provided (Used) by Operating Activities	<u>84,400</u>	<u>64,353</u>
Cash Flows From Investing Activities		
Beneficial interest in assets held by others	3,140	2,704
Board Contribution to beneficial interest in assets held by others	<u>(7,595)</u>	<u>(450)</u>
Net Cash Provided (Used) by Investing Activities	<u>(4,455)</u>	<u>2,254</u>
Net increase (decrease) in cash	79,945	66,607
Cash, cash equivalents, and restricted cash beginning of year	<u>346,802</u>	<u>280,195</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 426,747</u>	<u>\$ 346,802</u>
<u>Supplemental Information</u>		
Cash	\$ 94,328	\$ 18,421
Cash Equivalents	201,856	200,192
Restricted Cash	<u>130,563</u>	<u>128,189</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 426,747</u>	<u>\$ 346,802</u>

The accompanying notes are an integral part of these financial statements

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

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 \$46,408 and \$45,358 were held by the Foundation for the year ended June 30, 2023 and 2022 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, 2023 and 2022, cash equivalents consisted of funds in money market checking accounts.

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

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, 2023 and 2022, the Foundation wrote off \$182 and \$491 in pledges receivable, respectively.

Capital Assets – The Foundation did not acquire any depreciable assets during the fiscal years ended June 30, 2023 and 2022.

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 2023 or 2022.

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

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

time, location, nature and performance and has a clearly measurable basis 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. The Foundation’s policy related to gifts-in-kind is to utilize the assets given to carry out the Foundation’s mission. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

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 – Several accounting standards became effective for this fiscal year but don’t apply to the Foundation.

Risks and Uncertainties – Subsequent events have been evaluated through the issuance date of this report. 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 returned to pre-pandemic service levels at all of its locations last year. Programs continue to be converted to a digital format, if feasible, and programs are still being offered via a digital platform.

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. In addition, the Foundation has a Royal Games fundraiser scheduled in October.

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

Note 3 – Liquidity and Availability

The following represents the Foundation’s financial assets at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 426,747	\$ 346,802
Grants receivable	5,174	17,424
Contributions receivable	-	5,383
Accrued interest receivable	251	117
Investments	<u>72,866</u>	<u>62,640</u>
Total Financial Assets	505,038	432,366
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(190,835)	(202,860)
Endowment established by the board	<u>(17,768)</u>	<u>(10,776)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 296,435</u>	<u>\$ 218,730</u>

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 and a money market account.

Note 4 – Cash

The Foundation maintains cash balances at 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, 2023.

Note 5 – Grants Receivable

The Foundation submits requests for reimbursement to grantors for certain grant funds. As of June 30, 2023 and 2022, the Foundation had outstanding requests for reimbursements and accruals due from the following:

	<u>2023</u>	<u>2022</u>
Communities Foundation of Oklahoma	\$ -	\$ 3,038
National Network of Libraries and Medicine	-	2,000
Norman Arts Council	4,603	9,801
Pioneer Library System	<u>571</u>	<u>2,585</u>
Total	<u>\$ 5,174</u>	<u>\$ 17,424</u>

All amounts were considered collectible at June 30, 2023 and 2022.

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

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 years ended June 30, 2023 and 2022, however, the distribution was returned to the CFO and rolled back into the funds.

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, 2023 and 2022, assets transferred to the CFO by the Foundation had a fair value of \$72,866 and \$62,640 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 \$367 and \$334 from these funds for the year ended June 30, 2023 and 2022 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, 2023 and 2022 was \$8,250 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, 2023 and 2022, assets measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

<u>2023</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	<u>\$ 72,866</u>	<u>\$ 72,866</u>
Total assets accounted for at Fair Value	<u>\$ 72,866</u>	<u>\$ 72,866</u>

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

<u>2022</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	<u>\$ 62,640</u>	<u>\$ 62,640</u>
Total assets accounted for at Fair Value	<u>\$ 62,640</u>	<u>\$ 62,640</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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of year	\$ 62,640	\$ 72,732
Contributions	7,595	450
Net Investment Performance	<u>2,631</u>	<u>(10,542)</u>
Balance at end of year	<u>\$ 72,866</u>	<u>\$ 62,640</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 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

PIONEER LIBRARY SYSTEM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 2023 AND 2022

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, 2023 and 2022 is as follows:

<u>2023</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	\$ 10,776	\$ 6,506	\$ 45,358	\$ 62,640
Contributions	6,545	-	1,050	7,595
Investment return	1,094	5,339	-	6,433
Investment management fees	(113)	(549)	-	(662)
Distributions	(534)	(2,606)	-	(3,140)
Endowment net assets				
End of year	<u>\$ 17,768</u>	<u>\$ 8,690</u>	<u>\$ 46,408</u>	<u>\$ 72,866</u>
<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>

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

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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 without donor restriction

Total net assets without donor restriction as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted net assets	\$ 284,348	\$ 192,229
Board designated quasi-endowment net assets	<u>17,768</u>	<u>10,776</u>
Total net assets without donor restriction	\$ <u>302,116</u>	\$ <u>203,005</u>

The board designated quasi-endowment consists of beneficial interest in assets held by others as described in Note 6. The current Board intends to keep the funds, as well as any future additions, invested at the CFO.

Note 10 – Net assets with donor restriction

Total net assets with donor restriction as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted net assets	\$ 8,320	\$ 482
Time restricted net assets	136,107	157,020
Perpetually restricted net assets	<u>46,408</u>	<u>45,358</u>
Total net assets with donor restriction	\$ <u>190,835</u>	\$ <u>202,860</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, 2023 and 2022 restricted by the donor with purposes restrictions:

	<u>2023</u>	<u>2022</u>
Books and other reading materials	\$ <u>8,320</u>	\$ <u>482</u>

Net assets as of June 30, 2023 and 2022 that are time restricted:

	<u>2023</u>	<u>2022</u>
System-wide programming	\$ <u>136,107</u>	\$ <u>157,020</u>

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Note 11 – 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 \$9,173 and \$15,879 at June 30, 2023 and 2022 respectively.

Note 12 – Gifts-In-Kind

Gifts-in-kind for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Facility rentals	\$ 3,450	\$ 450
Equipment and supplies	2,297	325
Program materials	100	-
Tickets and gift certificates	<u>469</u>	<u>513</u>
 Total gifts in-kind	 \$ <u>6,316</u>	 \$ <u>1,288</u>

The Foundation requires the use of facilities in order to hold special event fundraisers throughout the year. These facilities are provided at no cost to the Foundation but based on current market rates for rental facilities the Foundation would have paid \$3,450 and \$450 for the years ended June 30, 2023 and 2022, respectively.

The Foundation received donated equipment and supplies to conduct their fundraisers this year. Donated items included decorations and printing, water and snacks for volunteers, and keychain straws. Based on the current market value the Foundation would have paid \$2,297 and \$325 for the years ended June 30, 2023 and 2022 respectively.

The Foundation received program materials for a children’s program that was conducted at one of the Pioneer Library System branch libraries. The estimated fair market value of the rocks that were donated for the years ended June 30, 2023 and 2022 was \$100 and \$0 respectively.

The Foundation provides prizes to some attendees at their special events. These prizes consist of donated gift certificates and tickets to events. All of these prizes are donated to the Foundation. The estimated fair market value of donated prizes was \$469 and \$513 for the years ended June 30, 2023 and 2022 respectively.