

**Houston Public  
Library Foundation**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2021 and 2020**

## Table of Contents

|                                                                                                              | Page |
|--------------------------------------------------------------------------------------------------------------|------|
| <b>REPORT</b>                                                                                                |      |
| Independent Auditors' Report .....                                                                           | 1    |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>                                                                    |      |
| Management's Discussion and Analysis (Unaudited) .....                                                       | 3    |
| <b>FINANCIAL STATEMENTS</b>                                                                                  |      |
| Governmental Funds Balance Sheet and Statement of Net Position .....                                         | 9    |
| Governmental Funds Revenues, Expenditures, and Changes in<br>Fund Balances and Statement of Activities ..... | 11   |
| Notes to Financial Statements .....                                                                          | 13   |
| <b>SUPPLEMENTARY INFORMATION</b>                                                                             |      |
| Schedule of Functional Expenses (Unaudited) .....                                                            | 20   |



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

Carr, Riggs & Ingram, LLC  
Two Riverway, 15th Floor  
Houston, Texas 77056

(713) 621-8090  
(713) 621-6907 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Houston Public Library Foundation  
Houston, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Houston Public Library Foundation (a component unit of the City of Houston), as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which comprise Houston Public Library Foundation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Houston Public Library Foundation, as of June 30, 2021 and 2020, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Houston Public Library Foundation's basic financial statements. The schedule of functional expenses for the year ended June 30, 2021 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Carly Riggs & Ingram, L.L.C.*

Houston, Texas  
September 30, 2021

## Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

This discussion and analysis of Houston Public Library Foundation's (the Foundation) financial statements provides an overview of the Foundation's financial performance during the years ended June 30, 2021 and 2020. This discussion and analysis includes comparative data for the years ended June 30, 2021 and June 30, 2020 with a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Foundation's basic financial statements and the footnotes.

### FINANCIAL HIGHLIGHTS

#### *Fiscal 2021*

- Unearned and earned income were significantly impacted by the COVID-19 pandemic. Generally speaking, planned in-person events were postponed and/or converted to virtual events.
  - The Fiscal 2020 Beyond the Page fundraising luncheon scheduled as an in-person event in April 2020 was postponed and conducted as a virtual event in November 2020, thus falling into Fiscal 2021. The Fiscal 2021 Beyond the Page event was held as planned in April 2021 as a virtual event.
  - The Houston Literary Awards fundraising gala was conducted virtually in October 2020.
  - Earned income from book sales declined due to (i) the closure of the book warehouse resulting in cancellation of on-site book sales, (ii) inability to accept book donations from the public, and (iii) lack of volunteer labor to process books for sale on third-party websites.
  - As the primary program of the Friends of the Houston Public Library is books sales, closure of the warehouse also resulted in reduction of Friends activities and membership revenue.
- The Foundation's investment portfolio benefitted from strong economic and market performance, generating a portfolio return of 21% for the 12-month period ending June 30, 2021.
- The Foundation released \$786,010 from endowment funds for the fiscal year 2021 endowment allocation to HPL. The reduction compared to prior year allocations is due to the separation of quasi-endowments from the endowment allocation calculation.
- The Foundation released \$291,600 from quasi-endowments as requested by Houston Public Library for programs.
- As of June 30, 2021, the Foundation held \$19 million for library programs, including the original \$2.12 million corpus of the Foundation's endowments that is permanently restricted.

#### *Fiscal 2020*

- During fiscal year 2020, the Foundation conducted an endowment analysis that resulted in a change in how the funds are allocated. Historically, the Foundation calculated the annual endowment allocation on the aggregate of the 25 holdings invested by the Foundation. These holdings represent 20 standard endowments, 4 quasi-endowments, and an unrestricted operating fund, termed the general fund. The modification in calculating the endowment allocation by endowment category provides better alignment with UPMIFA and TUPMIFA that provide allocation guidelines for standard endowments, but are not required of quasi-endowments. This modification resulted in a percentile increase of the funds released from the quasi-endowments, based upon Houston Public Library (HPL) requests and reviewed/approved by the Board of Directors.
- During the endowment analysis, it was discovered that Fund 138, Clayton/Martin, qualifies as a standard endowment and not a quasi-endowment as previously categorized. It has an original corpus of \$100,000 and has been added to the standard endowment category.

# Houston Public Library Foundation

## Management's Discussion and Analysis (Unaudited)

### FINANCIAL HIGHLIGHTS (Continued)

- During the endowment analysis, we recognized the Lurine Karon Greenberg Fine Arts Trust (Greenberg Trust) an asset represented as "Beneficial interest in charitable trust". The Greenberg Trust is managed independently per the trust documents. The purpose of the trust is to purchase nonfiction books of outstanding quality, including biographies, for HPL in the disciplines of music, art, architecture, antiques, history, cooking, travel and geography. Annually, the Foundation receives the trust's investment earnings for the preceding calendar year. The Foundation is the trust's beneficiary and upon the resignation or death of the Successor Trustee, the assets of this trust shall pass to the Foundation to continue to use the funds for same purpose as described in the trust.
- The Foundation released \$900,000 from the endowments for the fiscal year 2020 endowment allocation to HPL.
- The Foundation allocated an additional \$175,000 for HPL programs from the quasi-endowment, Director's Fund per HPL's request.
- Friends of the Houston Public Library made a \$50,000 donation to HPL from book sales revenue.
- As of June 30, 2020, the Foundation held \$18 million for library programs, including the original \$2.12 million corpus of the Foundation's endowments that is permanently restricted.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. According to the definition by the Governmental Accounting Standards Board, the Foundation qualifies as a special purpose government with one program – support and advocacy for the Houston Public Library.

Government-wide financial statements reflect an economic resources measurement focus and are prepared using the accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances, in a manner similar to a private-sector business.

The Statement of Net Position shows the financial position of the Foundation at year end by presenting the Foundation's assets and liabilities, with the difference between assets and liabilities presented as net position. The Statement of Activities presents information showing changes in the Foundation's net position during the year. Changes in net position are reported when an underlying event giving rise to a change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Governmental fund financial statements reflect a current financial resources measurement focus and are prepared using the modified accrual basis of accounting. Unlike the government-wide financial statements, the governmental fund financial statements present information showing the near-term inflows and outflows of spendable resources and the balances of spendable resources at year end. Reconciliation between the government-wide financial statements and the governmental fund financial statements is reflected in a separate adjustments column.

# Houston Public Library Foundation

## Management's Discussion and Analysis (Unaudited)

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

#### Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information on the Foundation's net position:

| June 30,                  | 2021                 | 2020                 | Increase<br>(Decrease)<br>2021-2020 | 2019                 | Increase<br>(Decrease)<br>2020-2019 |
|---------------------------|----------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|
| Cash and investments      | \$ 22,222,912        | \$ 20,034,590        | \$ 2,188,322                        | \$ 22,584,618        | \$ (2,550,028)                      |
| Other assets              | 1,659,339            | 1,540,385            | 118,954                             | 533,131              | 1,007,254                           |
| <b>Total assets</b>       | <b>\$ 23,882,251</b> | <b>\$ 21,574,975</b> | <b>\$ 2,307,276</b>                 | <b>\$ 23,117,749</b> | <b>\$ (1,542,774)</b>               |
| Total liabilities         | \$ 963,687           | \$ 642,877           | \$ 320,810                          | \$ 662,318           | \$ (19,441)                         |
| Net position              |                      |                      |                                     |                      |                                     |
| Restricted                | \$ 19,549,663        | \$ 17,636,935        | \$ 1,912,728                        | \$ 19,435,122        | \$ (1,798,187)                      |
| Unrestricted              | 3,368,901            | 3,295,163            | 73,738                              | 3,020,309            | 274,854                             |
| <b>Total net position</b> | <b>\$ 22,918,564</b> | <b>\$ 20,932,098</b> | <b>\$ 1,986,466</b>                 | <b>\$ 22,455,431</b> | <b>\$ (1,523,333)</b>               |

#### Statement of Activities

The Statement of Activities presents the operating results of the Foundation. The following table reflects condensed information on the Foundation's operations:

| For the years ended June 30,       | 2021                 | 2020                 | Increase<br>(Decrease)<br>2021-2020 | 2019                 | Increase<br>(Decrease)<br>2020-2019 |
|------------------------------------|----------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|
| Expenses                           |                      |                      |                                     |                      |                                     |
| Programmatic                       | \$ 2,291,659         | \$ 3,696,217         | \$ (1,404,558)                      | \$ 2,951,613         | \$ 744,604                          |
| Other                              | 448,598              | 484,331              | (35,733)                            | 464,852              | 19,479                              |
| <b>Total expenses</b>              | <b>2,740,257</b>     | <b>4,180,548</b>     | <b>(1,440,291)</b>                  | <b>3,416,465</b>     | <b>764,083</b>                      |
| Revenues                           |                      |                      |                                     |                      |                                     |
| Investment return                  | 4,161,998            | 674,306              | 3,487,692                           | 1,284,980            | (610,674)                           |
| Contributions and other income     | 564,725              | 1,982,909            | (1,418,184)                         | 3,014,901            | (1,031,992)                         |
| <b>Total revenue</b>               | <b>4,726,723</b>     | <b>2,657,215</b>     | <b>2,069,508</b>                    | <b>4,299,881</b>     | <b>(1,642,666)</b>                  |
| Changes in net position            | 1,986,466            | (1,523,333)          | 3,509,799                           | 883,416              | (2,406,749)                         |
| Net position,<br>beginning of year | 20,932,098           | 22,455,431           | (1,523,333)                         | 21,572,015           | 883,416                             |
| <b>Net position, end of year</b>   | <b>\$ 22,918,564</b> | <b>\$ 20,932,098</b> | <b>\$ 1,986,466</b>                 | <b>\$ 22,455,431</b> | <b>\$ (1,523,333)</b>               |

# Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### *Fiscal 2021*

The Foundation's investment portfolio reflects gains in the value of certain securities as well as dividend income. The overall annual return for the portfolio was 21%. The total value of the portfolio at June 30, 2021 was approximately \$21 million and represents about a 13% increase over the prior year.

The other assets balance at June 30, 2021, which comprises pledges receivable of \$337,274, which represents a decrease position over the prior year due to collections of approximately \$190,000 of pledges which was offset by new pledge receivable balances in the current year, the Foundation's beneficial interest in the Greenberg Trust of \$1,315,036, and prepaids of \$7,029.

Non-investment revenues related to contributions, special events, and book sales decreased from \$1,982,909 in fiscal year 2020 to \$564,725 in fiscal year 2021. In fiscal year 2021, the decrease in non-investment revenues relate to the impacts of COVID-19 due to the closing of libraries to conduct book sales and special events being postponed or virtual.

### *Fiscal 2020*

The Foundation's investment portfolio reflects gains in the value of certain securities as well as dividend income. The overall annual return for the portfolio was 3.6%. The total value of the portfolio at June 30, 2020 was approximately \$18.5 million and represents a 6% decrease over the prior year.

The other assets balance at June 30, 2020, which comprises pledges receivable of \$498,235, which represents a decrease position over the prior year due to collections of approximately \$100,000 of pledges which was offset by new pledge receivable balances in the current year, the Foundation's beneficial interest in the Greenberg Trust of \$1,032,716, and prepaids of \$9,434.

Non-investment revenues related to contributions, special events, and book sales decreased from \$3,014,901 in fiscal year 2019 to \$1,982,909 in fiscal year 2020. In fiscal year 2020, \$1,032,716 of contributions relates to the Foundation's beneficial interest in the Greenberg Trust. In fiscal year 2020, the decrease in non-investment revenues relate to the impacts of COVID-19 due to the closing of libraries to conduct book sales and special events being cancelled or postponed.

### *Governmental Funds*

At June 30, 2021, the Foundation's governmental funds reported combined ending fund balances of approximately \$21 million, which is an approximate \$2 million increase over the prior year. At June 30, 2021, the Foundation's governmental funds were comprised of financial assets raised specifically for Houston Public Library programs and funds raised in prior years that were released for program use.

In 2021, HPL received a total of \$1,077,600 in endowment allocations. The Foundation raised \$188,028 in program funds for the HPL during the fiscal year, of which all were released to HPL, and \$112,963 of funds raised in prior years were released to HPL during the fiscal year.

## **Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)**

### **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

In 2021, the Foundation released \$225,000 for general operational use from funds assigned from long-term investment. During the year, the Foundation released \$5,000 for a scholarship, which the funds were restricted in a prior year. During the year, the Foundation incurred \$40,000 in financial consulting fees related to the managing of the endowments funds, which were paid with restricted for library program funds.

In 2021, the Foundation raised \$191,280, transferred \$550,000 to HPL, and incurred costs totaling \$80,359 for the Barbara Bush Literacy Plaza. As of June 30, 2021, the Foundation has \$297,346 in funds for the Barbara Bush Literacy Plaza, which it will retain until they are released to the City of Houston for completion and closeout of the project.

At June 30, 2020, the Foundation's governmental funds reported combined ending fund balances of approximately \$19 million, which is an approximate \$2.5 million decrease over the prior year. At June 30, 2020, the Foundation's governmental funds were comprised of financial assets raised specifically for Houston Public Library programs and funds raised in prior years that were released for program use.

In 2020, HPL received a total of \$1,075,000 in endowment allocations and \$5,000 from the restricted staff benefit fund. The Foundation raised \$482,158 in program funds for the HPL during the fiscal year, of which \$372,058 were released to HPL, and \$267,590 of funds raised in prior years were released to HPL during the fiscal year. The \$1,719,648 total of releases does not include funds specifically raised for the capital improvement project related to the Library. During the year, HPL received \$50,000 from Friends of the Houston Public Library from unassigned funds.

In 2020, the Foundation released \$741,307 for general operational use from funds assigned from long-term investment. During the year, the Foundation released \$1,320,000 to the City of Houston for the tech link center, \$280,000 for the purchase of mobile express van, \$12,134 for Clayton library landscaping, and \$8,937 for other purposes, which all these funds were restricted for library programs in prior years. During the year, the Foundation incurred \$40,000 in financial consulting fees related to the managing of the endowments funds, which were paid with restricted for library program funds.

In 2020, the Foundation raised \$100,000 and incurred costs totaling \$53,073 for the Barbara Bush Literacy Plaza. As of June 30, 2020, the Foundation has \$736,425 in funds for the Barbara Bush Literacy Plaza, which it will retain until they are released to the City of Houston for construction.

### **FUTURE PROJECTS**

As we continue to face the many challenges of COVID-19, in FY22 the Foundation recognizes the need for a new approach. Thus, the Foundation is making the necessary shifts in operations that includes the implementation of a strategic sustainable model. This business model addresses the need to identify new ways to steward our existing donors as well as ways to create a pipeline of new and engaged monthly donors as an operational funding stream.

## **Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)**

### **FUTURE PROJECTS (Continued)**

In FY22, the Foundation will continue to engage our partners, donors and supporters utilizing virtual platforms but will also begin hosting targeted in-person events. Although we understand that the recovery phase that we are embarking on will be challenging, we are diligently working collaboratively with the Houston Public Library and our other literacy partners to identify innovative virtual/ hybrid programming and initiatives that will be of interest to many of our key supports. We will also actively continue our efforts to seek new donors to fund HPL's lending program of hot spots, laptops, tablets and other devices for individuals to gain connectivity. Although we will be streamlining our operations at the Foundation in FY22, we will be focusing on expanding the giving opportunities for the community at-large that will ultimately support the Foundation's overall mission and vision.

### **NOTES TO FINANCIAL STATEMENTS**

The reader is referred to the notes to the financial statements for a more complete understanding of the financial statements of the Foundation. They contain a summary of the significant accounting policies as well as other information.

\* \* \* \* \*

The financial report is designed to discuss issues that may be material to the operation of the Foundation. Questions concerning any of the information in this report or requests for additional information should be addressed to Houston Public Library Foundation, 550 McKinney Street Houston, TX 77002.

# Houston Public Library Foundation

## Governmental Funds Balance Sheet and Statement of Net Position

| June 30, 2021                                                                                                                                          | General Fund        | Permanent Fund       | Total                | Adjustments          | Statement of Net Position |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|----------------------|----------------------|---------------------------|
| <b>Assets</b>                                                                                                                                          |                     |                      |                      |                      |                           |
| Cash                                                                                                                                                   | \$ 968,699          | \$ 302,351           | \$ 1,271,050         | \$ -                 | \$ 1,271,050              |
| Investments                                                                                                                                            | 3,162               | 20,948,700           | 20,951,862           | -                    | 20,951,862                |
| Beneficial interest in charitable trust                                                                                                                | -                   | -                    | -                    | 1,315,036            | 1,315,036                 |
| Pledges receivable                                                                                                                                     | 37,274              | 300,000              | 337,274              | -                    | 337,274                   |
| Other assets                                                                                                                                           | -                   | -                    | -                    | 7,029                | 7,029                     |
| <b>Total assets</b>                                                                                                                                    | <b>\$ 1,009,135</b> | <b>\$ 21,551,051</b> | <b>\$ 22,560,186</b> | <b>\$ 1,322,065</b>  | <b>\$ 23,882,251</b>      |
| <b>Liabilities and fund balances</b>                                                                                                                   |                     |                      |                      |                      |                           |
| <b>Liabilities</b>                                                                                                                                     |                     |                      |                      |                      |                           |
| Accrued expenses and grant payable                                                                                                                     | \$ 46,994           | \$ -                 | \$ 46,994            | \$ -                 | \$ 46,994                 |
| Funds held for others                                                                                                                                  | 871,501             | -                    | 871,501              | -                    | 871,501                   |
| Refundable advance - PPP                                                                                                                               | 45,192              | -                    | 45,192               | -                    | 45,192                    |
| Unearned revenue                                                                                                                                       | 37,274              | 300,000              | 337,274              | (337,274)            | -                         |
| <b>Total liabilities</b>                                                                                                                               | <b>1,000,961</b>    | <b>300,000</b>       | <b>1,300,961</b>     | <b>(337,274)</b>     | <b>963,687</b>            |
| <b>Nonspendable</b>                                                                                                                                    |                     |                      |                      |                      |                           |
| Library programs                                                                                                                                       | -                   | 2,121,039            | 2,121,039            | (2,121,039)          | -                         |
| Library staff benefits                                                                                                                                 | -                   | 45,000               | 45,000               | (45,000)             | -                         |
| <b>Restricted for</b>                                                                                                                                  |                     |                      |                      |                      |                           |
| Library programs                                                                                                                                       | -                   | 15,401,385           | 15,401,385           | (15,401,385)         | -                         |
| Library staff benefits                                                                                                                                 | -                   | 322,900              | 322,900              | (322,900)            | -                         |
| Committed for library programs                                                                                                                         | -                   | 2,136,802            | 2,136,802            | (2,136,802)          | -                         |
| Assigned for long-term investment                                                                                                                      | -                   | 1,223,925            | 1,223,925            | (1,223,925)          | -                         |
| Unassigned                                                                                                                                             | 8,174               | -                    | 8,174                | (8,174)              | -                         |
| <b>Total fund balances</b>                                                                                                                             | <b>8,174</b>        | <b>21,251,051</b>    | <b>21,259,225</b>    | <b>(21,259,225)</b>  |                           |
| <b>Total liabilities and fund balances</b>                                                                                                             | <b>\$ 1,009,135</b> | <b>\$ 21,551,051</b> | <b>\$ 22,560,186</b> |                      |                           |
| <b>Restricted for</b>                                                                                                                                  |                     |                      |                      |                      |                           |
| Library programs and staff benefits                                                                                                                    |                     |                      |                      | \$ 17,383,624        | \$ 17,383,624             |
| Endowment for library programs and staff benefits                                                                                                      |                     |                      |                      | 2,166,039            | 2,166,039                 |
| Unrestricted                                                                                                                                           |                     |                      |                      | 3,368,901            | 3,368,901                 |
| <b>Total net position</b>                                                                                                                              |                     |                      |                      | <b>\$ 22,918,564</b> | <b>\$ 22,918,564</b>      |
| <b>Total fund balances of governmental funds</b>                                                                                                       |                     |                      |                      |                      | <b>\$ 21,259,225</b>      |
| <b>Amounts reported for governmental activities in the statement of net position are different because:</b>                                            |                     |                      |                      |                      |                           |
| Other assets used in governmental activities are not financial resources and therefore are not reported in the funds                                   |                     |                      |                      |                      | 7,029                     |
| Unearned revenue and beneficial interest in charitable trust are not available for current period expenditures and therefore are deferred in the funds |                     |                      |                      |                      | 1,652,310                 |
| <b>Net position of governmental activities</b>                                                                                                         |                     |                      |                      |                      | <b>\$ 22,918,564</b>      |

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

# Houston Public Library Foundation

## Governmental Funds Balance Sheet and Statement of Net Position

| June 30, 2020                                                                                                                                                 | General Fund      | Permanent Fund       | Total                | Adjustments          | Statement of Net Position |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|----------------------|----------------------|---------------------------|
| <b>Assets</b>                                                                                                                                                 |                   |                      |                      |                      |                           |
| Cash                                                                                                                                                          | \$ 690,938        | \$ 859,394           | \$ 1,550,332         | \$ -                 | \$ 1,550,332              |
| Investments                                                                                                                                                   | 3,162             | 18,481,096           | 18,484,258           | -                    | 18,484,258                |
| Beneficial interest in charitable trust                                                                                                                       | -                 | -                    | -                    | 1,032,716            | 1,032,716                 |
| Pledges receivable                                                                                                                                            | 8,235             | 490,000              | 498,235              | -                    | 498,235                   |
| Other assets                                                                                                                                                  | -                 | -                    | -                    | 9,434                | 9,434                     |
| <b>Total assets</b>                                                                                                                                           | <b>\$ 702,335</b> | <b>\$ 19,830,490</b> | <b>\$ 20,532,825</b> | <b>\$ 1,042,150</b>  | <b>\$ 21,574,975</b>      |
| <b>Liabilities and fund balances</b>                                                                                                                          |                   |                      |                      |                      |                           |
| <b>Liabilities</b>                                                                                                                                            |                   |                      |                      |                      |                           |
| Accrued expenses and grant payable                                                                                                                            | \$ 6,544          | \$ -                 | \$ 6,544             | \$ -                 | 6,544                     |
| Funds held for others                                                                                                                                         | 581,303           | -                    | 581,303              | -                    | 581,303                   |
| Refundable advance - PPP                                                                                                                                      | 55,030            | -                    | 55,030               | -                    | 55,030                    |
| Unearned revenue                                                                                                                                              | 8,235             | 490,000              | 498,235              | (498,235)            | -                         |
| <b>Total liabilities</b>                                                                                                                                      | <b>651,112</b>    | <b>490,000</b>       | <b>1,141,112</b>     | <b>(498,235)</b>     | <b>642,877</b>            |
| <b>Fund balances</b>                                                                                                                                          |                   |                      |                      |                      |                           |
| <b>Nonspendable</b>                                                                                                                                           |                   |                      |                      |                      |                           |
| Library programs                                                                                                                                              | -                 | 2,121,039            | 2,121,039            | (2,121,039)          | -                         |
| Library staff benefits                                                                                                                                        | -                 | 45,000               | 45,000               | (45,000)             | -                         |
| <b>Restricted for</b>                                                                                                                                         |                   |                      |                      |                      |                           |
| Library programs                                                                                                                                              | -                 | 13,690,034           | 13,690,034           | (13,690,034)         | -                         |
| Library staff benefits                                                                                                                                        | -                 | 240,477              | 240,477              | (240,477)            | -                         |
| Committed for library programs                                                                                                                                | -                 | 2,026,738            | 2,026,738            | (2,026,738)          | -                         |
| Assigned for long-term investment                                                                                                                             | -                 | 1,217,202            | 1,217,202            | (1,217,202)          | -                         |
| Unassigned                                                                                                                                                    | 51,223            | -                    | 51,223               | (51,223)             | -                         |
| <b>Total fund balances</b>                                                                                                                                    | <b>51,223</b>     | <b>19,340,490</b>    | <b>19,391,713</b>    | <b>(19,391,713)</b>  |                           |
| <b>Total liabilities and fund balances</b>                                                                                                                    | <b>\$ 702,335</b> | <b>\$ 19,830,490</b> | <b>\$ 20,532,825</b> |                      |                           |
| <b>Net position</b>                                                                                                                                           |                   |                      |                      |                      |                           |
| <b>Restricted for</b>                                                                                                                                         |                   |                      |                      |                      |                           |
| Library programs and staff benefits                                                                                                                           |                   |                      |                      | \$ 15,470,896        | \$ 15,470,896             |
| Endowment for library programs and staff benefits                                                                                                             |                   |                      |                      | 2,166,039            | 2,166,039                 |
| Unrestricted                                                                                                                                                  |                   |                      |                      | 3,295,163            | 3,295,163                 |
| <b>Total net position</b>                                                                                                                                     |                   |                      |                      | <b>\$ 20,932,098</b> | <b>\$ 20,932,098</b>      |
| <b>Total fund balances of governmental funds</b>                                                                                                              |                   |                      |                      |                      |                           |
|                                                                                                                                                               |                   |                      |                      |                      | \$ 19,391,713             |
| <b>Amounts reported for governmental activities in the statement of net position are different because:</b>                                                   |                   |                      |                      |                      |                           |
| <b>Other assets used in governmental activities are not financial resources and therefore are not reported in the funds</b>                                   |                   |                      |                      |                      |                           |
|                                                                                                                                                               |                   |                      |                      |                      | 9,434                     |
| <b>Unearned revenue and beneficial interest in charitable trust are not available for current period expenditures and therefore are deferred in the funds</b> |                   |                      |                      |                      |                           |
|                                                                                                                                                               |                   |                      |                      |                      | 1,530,951                 |
| <b>Net position of governmental activities</b>                                                                                                                |                   |                      |                      |                      | <b>\$ 20,932,098</b>      |

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

**Houston Public Library Foundation**  
**Governmental Funds Revenues, Expenditures, and Changes in**  
**Fund Balances and Statement of Activities**

| <i>For the year ended June 30, 2021</i>                                                                                                                                          | General Fund     | Permanent Fund       | Total                | Adjustments         | Statement of Activities |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|
| <b>Expenditures/Expenses</b>                                                                                                                                                     |                  |                      |                      |                     |                         |
| Programmatic                                                                                                                                                                     | \$ 2,220,180     | \$ -                 | \$ 2,220,180         | \$ 71,479           | \$ 2,291,659            |
| Fundraising                                                                                                                                                                      | 251,723          | -                    | 251,723              | -                   | 251,723                 |
| Management and general                                                                                                                                                           | 196,875          | -                    | 196,875              | -                   | 196,875                 |
| <b>Total expenditures/expenses</b>                                                                                                                                               | <b>2,668,778</b> | <b>-</b>             | <b>2,668,778</b>     | <b>71,479</b>       | <b>2,740,257</b>        |
| <b>Revenues</b>                                                                                                                                                                  |                  |                      |                      |                     |                         |
| Investment return                                                                                                                                                                | 400              | 3,810,204            | 3,810,604            | 351,394             | 4,161,998               |
| Contributions                                                                                                                                                                    | 310,544          | 379,308              | 689,852              | (160,961)           | 528,891                 |
| Book sales                                                                                                                                                                       | 35,834           | -                    | 35,834               | -                   | 35,834                  |
| Transfers in/(out)                                                                                                                                                               | 2,278,951        | (2,278,951)          | -                    | -                   | -                       |
| <b>Total revenues</b>                                                                                                                                                            | <b>2,625,729</b> | <b>1,910,561</b>     | <b>4,536,290</b>     | <b>190,433</b>      | <b>4,726,723</b>        |
| <b>Changes in fund balances/net position</b>                                                                                                                                     | <b>(43,049)</b>  | <b>1,910,561</b>     | <b>1,867,512</b>     | <b>118,954</b>      | <b>1,986,466</b>        |
| <b>Fund balances/net position, beginning of year</b>                                                                                                                             | <b>51,223</b>    | <b>19,340,490</b>    | <b>19,391,713</b>    | <b>1,540,385</b>    | <b>20,932,098</b>       |
| <b>Fund balances/net position, end of year</b>                                                                                                                                   | <b>\$ 8,174</b>  | <b>\$ 21,251,051</b> | <b>\$ 21,259,225</b> | <b>\$ 1,659,339</b> | <b>\$ 22,918,564</b>    |
| <b>Net change in fund balances of governmental funds</b>                                                                                                                         |                  |                      |                      |                     | <b>\$ 1,867,512</b>     |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                               |                  |                      |                      |                     |                         |
| Change of other assets is reported as expenditures in the governmental activities, however not reported as expenses in the current year on the Statement of Activities           |                  |                      |                      |                     |                         |
|                                                                                                                                                                                  |                  |                      |                      |                     | (2,405)                 |
| Net revenues reported in the Statement of Activities are not available as current financial resources in the government funds changes in beneficial interest in charitable trust |                  |                      |                      |                     |                         |
|                                                                                                                                                                                  |                  |                      |                      |                     | 282,320                 |
| Revenues report in the Statement of Activities in the prior years that are providing current financial resources as revenue in the government funds                              |                  |                      |                      |                     |                         |
|                                                                                                                                                                                  |                  |                      |                      |                     | (160,961)               |
| <b>Change in net position of governmental activities</b>                                                                                                                         |                  |                      |                      |                     | <b>\$ 1,986,466</b>     |

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

**Houston Public Library Foundation**  
**Governmental Funds Revenues, Expenditures, and Changes in**  
**Fund Balances and Statement of Activities**

| <i>For the year ended June 30, 2020</i>                                                                                                                                        | General Fund     | Permanent Fund       | Total                | Adjustments         | Statement of Activities |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|----------------------|---------------------|-------------------------|
| <b>Expenditures/Expenses</b>                                                                                                                                                   |                  |                      |                      |                     |                         |
| Programmatic                                                                                                                                                                   | \$ 3,690,807     | \$ -                 | \$ 3,690,807         | \$ 5,410            | \$ 3,696,217            |
| Fundraising                                                                                                                                                                    | 299,501          | -                    | 299,501              | -                   | 299,501                 |
| Management and general                                                                                                                                                         | 184,830          | -                    | 184,830              | -                   | 184,830                 |
| <b>Total expenditures/expenses</b>                                                                                                                                             | <b>4,175,138</b> | <b>-</b>             | <b>4,175,138</b>     | <b>5,410</b>        | <b>4,180,548</b>        |
| <b>Revenues</b>                                                                                                                                                                |                  |                      |                      |                     |                         |
| Investment income                                                                                                                                                              | 15,305           | 659,001              | 674,306              | -                   | 674,306                 |
| Contributions                                                                                                                                                                  | 294,355          | 586,988              | 881,343              | 1,012,664           | 1,894,007               |
| Book sales                                                                                                                                                                     | 88,902           | -                    | 88,902               | -                   | 88,902                  |
| Transfers in/(out)                                                                                                                                                             | 4,175,100        | (4,175,100)          | -                    | -                   | -                       |
| <b>Total revenues</b>                                                                                                                                                          | <b>4,573,662</b> | <b>(2,929,111)</b>   | <b>1,644,551</b>     | <b>1,012,664</b>    | <b>2,657,215</b>        |
| <b>Changes in fund balances/net position</b>                                                                                                                                   | <b>398,524</b>   | <b>(2,929,111)</b>   | <b>(2,530,587)</b>   | <b>1,007,254</b>    | <b>(1,523,333)</b>      |
| <b>Fund balances/net position, beginning of year</b>                                                                                                                           | <b>(347,301)</b> | <b>22,269,601</b>    | <b>21,922,300</b>    | <b>533,131</b>      | <b>22,455,431</b>       |
| <b>Fund balances/net position, end of year</b>                                                                                                                                 | <b>\$ 51,223</b> | <b>\$ 19,340,490</b> | <b>\$ 19,391,713</b> | <b>\$ 1,540,385</b> | <b>\$ 20,932,098</b>    |
| <b>Net change in fund balances of governmental funds</b>                                                                                                                       |                  |                      |                      |                     | <b>\$ (2,530,587)</b>   |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                             |                  |                      |                      |                     |                         |
| Change of other assets is reported as expenditures in the governmental activities, however not reported as expenses in the current year on the Statement of Activities         |                  |                      |                      |                     |                         |
|                                                                                                                                                                                |                  |                      |                      |                     | (5,410)                 |
| Revenues reported in the Statement of Activities are not available as current financial resources as revenue in the government funds - beneficial interest in charitable trust |                  |                      |                      |                     |                         |
|                                                                                                                                                                                |                  |                      |                      |                     | 1,032,716               |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the government funds                                    |                  |                      |                      |                     |                         |
|                                                                                                                                                                                |                  |                      |                      |                     | (20,052)                |
| <b>Change in net position of governmental activities</b>                                                                                                                       |                  |                      |                      |                     | <b>\$ (1,523,333)</b>   |

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

## **Houston Public Library Foundation Notes to Financial Statements**

### **Note 1: ORGANIZATION**

Houston Public Library Foundation (the Foundation) is a §501(c)(3) organization which supports and advocates for the Houston Public Library (HPL). A board of community leaders, appointed by the Mayor of the City of Houston (the City), governs the Foundation and its activities. Classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi), the Foundation is a component unit of the City. The operations of the Friends of the Houston Public Library are conducted as a part of the Foundation's activities.

Through advocacy and fundraising, the Foundation supports HPL's wide range of initiatives with particular emphasis on its neighborhood libraries and their community programs. The Foundation provides funding for an annual spending plan and other identified library projects and programs including neighborhood library improvements. In 2021 and 2020, programmatic grants to HPL were \$1,928,591 and \$1,719,648, respectively. The Foundation offices are provided by HPL and the City.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Reporting Entity***

As required by accounting principles generally accepted in the United States of America, these financial statements represent all the funds of the Houston Public Library Foundation. The Foundation is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable.

#### ***Measurement Focus and Basis of Accounting***

##### ***Government-Wide Financial Statements***

The statements of net position and the statements of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Foundation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statements of Net Position. The Statements of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow.

##### ***Fund Financial Statements***

Governmental funds in the fund financial statements are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measurable and available. Measurable means the amount of the transaction is known or reasonably estimable and available refers to amounts collected in the current period or expected to be collected soon enough thereafter (60 days) to be used to pay liabilities of the current period. Generally, expenditures are recorded when the related liability is incurred.

## Houston Public Library Foundation

### Notes to Financial Statements

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation reports the following major governmental funds:

- The general fund is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation, except those required to be accounted for in another fund.
- The permanent fund is used to account for funds invested for long-term purposes, whether perpetual in nature, and with or without donor restrictions.

#### ***Net Position***

Net position represents the difference between total assets and total liabilities. In the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. All other net position is unrestricted.

#### ***Fund Balance Classifications***

Fund balances are classified based upon the relative strength of spending constraints placed upon the purposes for which resources can be used as follows:

- Nonspendable fund balance includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact. The Foundation's nonspendable fund balance represents the original corpus of their endowments and is being maintained in perpetuity.
- Restricted fund balance includes amounts constrained to specific purposes either by external resource providers through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts committed to specific purposes by the Foundation itself, using its highest level of decision-making authority. Commitments may be modified only through Board resolution.
- Assigned fund balance includes amounts that the Foundation intends to use for specific purposes, but do not meet the definition of restricted or committed fund balance. Assignment may be modified only through Board resolution.
- Unassigned fund balance includes amounts that are available for any purpose.

When both restricted and unrestricted fund balances are available for use, it is the Foundation's policy to use restricted fund balances first, then unrestricted fund balances. Furthermore, committed fund balances are reduced first, followed by assigned fund balances, and then unassigned fund balances when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications can be used.

#### ***Budgetary Comparisons***

Under the Governmental Accounting Standards Board (GASB) Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Foundation is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Foundation's financial statements.

## Houston Public Library Foundation

### Notes to Financial Statements

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Investment and Investment Return***

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

Investment return includes interest, dividends, capital gain distributions and realized and unrealized gains and losses.

##### ***Beneficial Interest in Charitable Trust***

The Foundation is a beneficiary in a charitable trust, which is not controlled by the management of the Foundation. Under this arrangement, the Foundation has the irrevocable right to receive all of the income earned on the underlying assets. Accordingly contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive the benefits. The Foundation's beneficial interest in the charitable trust and changes in the Foundation's interest are classified as restricted for library program fund balance as those assets are held by the trustee and are to be used for a specific purpose. Upon the resignation or death of the Successor Trustee, the assets of this trust shall pass to the Foundation to continue to use the funds for the same purpose as described in the trust.

##### ***Pledges Receivable***

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Pledges receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when the determination is made.

##### ***Funds Held for Others***

The Foundation holds selected funds for HPL. The Foundation has limited discretion over the use of these funds. Funds held for others are included in the Foundation's cash and investments, and as a liability of the Foundation. Funding by the Foundation of HPL programs and staff benefits is made through deposits to this account. HPL controls disbursements from this fund. As of June 30, 2021 and 2020, the Foundation holds \$871,501 and \$581,303, respectively, of selected funds for HPL.

##### ***Refundable Advance and Revenue Recognition – PPP***

In March 2021, the Foundation received a loan in the amount of \$45,192 under the Paycheck Protection Program (PPP) pursuant to the CARES Act and administered by the U.S. Small Business Administration (SBA) (See Note 5).

In May 2020, the Foundation received a loan in the amount of \$55,030 under the Paycheck Protection Program (PPP) pursuant to the CARES Act and administered by the U.S. Small Business Administration (SBA) (See Note 5).

## **Houston Public Library Foundation**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation is recognizing revenue from the PPP loan following the guidance under FASB ASC 958-605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the governmental funds balance sheet and statement of financial position until all barriers are met. The Foundation considers the barriers to be incurrence of eligible costs, maintaining specified levels of payroll and employment, and the release of the debt by the SBA. Revenue is recognized once conditions have been substantially met or explicitly waived.

#### ***Contributions***

Under both the modified accrual and the accrual basis of accounting, receivables and revenue from contributions are recognized net of estimated uncollectible amounts when all applicable eligibility requirements are met provided the commitment is verifiable and the resources are measurable and probable of collection. Revenue recognized as receivable in advance of the time period during which it may be used is deferred under the modified accrual method of accounting, but is recognized as revenue under the accrual basis of accounting and reflected as restricted net position.

#### ***Book Sales***

Book sales occur at the library branches, at pop-up book sales around the City and on-line via the web through online retailers. Donated books are sold and revenue is recognized at the time of the sale.

#### ***Transfers***

Transfers between funds represent the transfers of resources for library program expenses.

#### ***Income Taxes***

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of June 30, 2021 and 2020, management believes there were no uncertain tax positions.

#### ***Estimates***

Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

#### ***Fair Value Considerations***

The Foundation uses fair value to measure financial and certain nonfinancial assets and liabilities. 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. All fair values are determined by external consultants. The fund investments are valued based on the underlying assets in the funds. Equity securities are valued based on the last reported sales price.

## Houston Public Library Foundation

### Notes to Financial Statements

#### Note 3: DEPOSITS

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it.

As of June 30, 2021, the carrying amount of the Foundation's deposits was \$1,271,050 and the bank balances totaled \$1,284,074. Deposits totaling \$1,034,074 were in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Foundation entered into a depository pledge agreement with Cadence Bank, in which deposits exceeding the FDIC limits are secured by pledge collateral.

As of June 30, 2020, the carrying amount of the Foundation's deposits was \$1,550,332 and the bank balances totaled \$1,559,743. Deposits totaling \$829,202 were in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Foundation entered into a depository pledge agreement with Cadence Bank, in which deposits exceeding the FDIC limits are secured by pledge collateral.

#### Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value three tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1*      Quoted market prices in active markets for identical assets or liabilities.
- Level 2*      Inputs other than Level 1 inputs that are either directly or indirectly observable such as 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 that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3*      Unobservable inputs that are supported by little or no market activity.

Fixed income and equity securities are valued based on prices quoted in active market for those securities.

The Foundation's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific investment or maturity.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities. The Foundation, in accordance with its investment policy, maintains a balanced investment portfolio and distributions are approved by the Board of Directors on an annual basis.

**Houston Public Library Foundation**  
**Notes to Financial Statements**

**Note 4: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$250,000 of cash from sale or purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, Treasury securities, certificates of deposit, mutual funds, money market funds and certain other investment securities.

The Foundation's beneficial interest in charitable trust is valued at the fair value of the underlying investments, as provided by the trustee. The underlying investments consists of equity securities, mutual funds and cash and cash equivalents, which are considered to be Level 1 investments. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation method is appropriate, the use of different methods or assumptions 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 assets at fair value:

|                                         | Quoted Market<br>Prices in Active<br>Markets (Level 1) | Other Observable<br>Inputs (Level 2) | Unobservable<br>Inputs (Level 3) |
|-----------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------|
| June 30, 2021                           |                                                        |                                      |                                  |
| Investments                             |                                                        |                                      |                                  |
| Fixed income                            | \$ 10,105,418                                          | \$ -                                 | \$ -                             |
| Equity securities                       | 10,846,444                                             | -                                    | -                                |
| Beneficial Interest in charitable trust | 1,315,036                                              | -                                    | -                                |
| <b>Total assets at fair value</b>       | <b>\$ 22,266,898</b>                                   | <b>\$ -</b>                          | <b>\$ -</b>                      |

|                                         | Quoted Market<br>Prices in Active<br>Markets (Level 1) | Other Observable<br>Inputs (Level 2) | Unobservable<br>Inputs (Level 3) |
|-----------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------|
| June 30, 2020                           |                                                        |                                      |                                  |
| Investments                             |                                                        |                                      |                                  |
| Fixed income                            | \$ 10,711,865                                          | \$ -                                 | \$ -                             |
| Equity securities                       | 7,772,393                                              | -                                    | -                                |
| Beneficial Interest in charitable trust | 1,032,716                                              | -                                    | -                                |
| <b>Total assets at fair value</b>       | <b>\$ 19,516,974</b>                                   | <b>\$ -</b>                          | <b>\$ -</b>                      |

Investment income consists of the following:

| For the years ended June 30,                          | 2021                | 2020              |
|-------------------------------------------------------|---------------------|-------------------|
| Interest and dividend income                          | \$ 813,121          | \$ 752,571        |
| Net realized/unrealized gains (losses) on investments | 3,348,877           | (78,265)          |
| <b>Total investment income</b>                        | <b>\$ 4,161,998</b> | <b>\$ 674,306</b> |

## Houston Public Library Foundation

### Notes to Financial Statements

#### **Note 5: REFUNDABLE ADVANCE – PPP LOAN**

In March 2021, the Foundation received a loan in the amount of \$45,192 under the PPP pursuant to the CARES Act and administered by the SBA. The PPP provides for forgivable loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

Any unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first ten months. According to terms of the promissory note, the first payment of principal and interest is due in January 2022, with subsequent payment due each month through the loan maturity date of February 2026.

The Foundation is using the PPP loan for its payroll and benefits costs, purposes consistent with the PPP. While the Foundation currently believes that its use of the PPP funds are meeting the conditions for forgiveness of the PPP loan and is in the process of preparing the SBA's forgiveness application, no assurance can be provided that the Foundation will obtain forgiveness of the loan, in whole or in part.

As of June 30, 2021, PPP loan funds are recorded as a refundable advance on the statement of net position.

In May 2020, the Foundation received a loan in the amount of \$55,030 under the PPP pursuant to the CARES Act and administered by the SBA. The Foundation used the PPP loan for its payroll and benefits costs, purposes consistent with the PPP. In April 2021, SBA forgave this PPP loan in full and accordingly, the Foundation recognized as revenue.

#### **Note 6: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Foundation. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

## SUPPLEMENTARY INFORMATION

# Houston Public Library Foundation

## Schedule of Functional Expenses (Unaudited)

For the year ended June 30,

2021

|                                                                                | Program             | Management<br>and General | Fundraising       | Total               |
|--------------------------------------------------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Grants and other assistance to domestic organizations and domestic governments | \$ 2,084,558        | \$ -                      | \$ -              | \$ 2,084,558        |
| Grants and other assistance to domestic individuals                            | 5,000               | -                         | -                 | 5,000               |
| Salaries and wages                                                             | 99,320              | 59,022                    | 105,277           | 263,619             |
| Employee benefits                                                              | 19,512              | 16,505                    | 28,127            | 64,144              |
| Payroll taxes                                                                  | 7,520               | 4,360                     | 7,898             | 19,778              |
| Contract labor                                                                 | -                   | 62,429                    | 26,403            | 88,832              |
| Fees for services (non-employees):                                             |                     |                           |                   |                     |
| Accounting                                                                     | -                   | 34,983                    | 5,210             | 40,193              |
| Other                                                                          | 52,213              | 6,668                     | 10,221            | 69,102              |
| Advertising                                                                    | 60                  | 135                       | 3,190             | 3,385               |
| Office expenses                                                                | 1,195               | 3,132                     | 14,108            | 18,435              |
| Information technology                                                         | 3,438               | 5,006                     | 38,483            | 46,927              |
| Occupancy                                                                      | 16,550              | -                         | -                 | 16,550              |
| Conferences, conventions, and meetings                                         | 135                 | 853                       | 3,759             | 4,747               |
| Insurance                                                                      | 1,389               | 3,782                     | -                 | 5,171               |
| Event expenses                                                                 | -                   | -                         | 9,047             | 9,047               |
| Repairs and maintenance                                                        | 769                 | -                         | -                 | 769                 |
| <b>Total expenses</b>                                                          | <b>\$ 2,291,659</b> | <b>\$ 196,875</b>         | <b>\$ 251,723</b> | <b>\$ 2,740,257</b> |