

**Houston Public  
Library Foundation**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**June 30, 2023 and 2022**

## Table of Contents

	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis (Unaudited) .....	4
<b>FINANCIAL STATEMENTS</b>	
Governmental Funds Balance Sheet and Statement of Net Position .....	9
Governmental Funds Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities .....	11
Notes to Financial Statements .....	13
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Functional Expenses (Unaudited) .....	20



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinions**

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, 2023 and 2022 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.

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, 2023 and 2022, 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.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 of Houston Public Library 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 opinions.

### **Responsibilities of Management 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, 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 Houston Public Library Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 generally accepted auditing standards, 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 Houston Public Library 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 the Houston Public Library 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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 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

Management is responsible for the other information included. The other information comprises the schedule of functional expenses for the year ended June 30, 2023 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Houston, Texas  
September 21, 2023

## 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, 2023 and 2022. This discussion and analysis includes comparative data for the years ended June 30, 2023 and June 30, 2022 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 2023*

- The Foundation did not hire a new Executive Director during this fiscal year. The Foundation is currently conducting a search for a new director. The absence of an Executive Director affected the programmatic efforts of the Foundation.
  - The Houston Literary Awards event was not held in Fiscal Year 2023. The Foundation is exploring the opportunity to expand the Literary Awards into a city-wide celebration co-hosted with Houston Public Library (HPL).
- The Foundation's investment portfolio benefitted from improvements in economic and market performance, generating a positive portfolio return of 6% for the 12-month period ending June 30, 2023.
- The Foundation released \$482,401 from endowment funds for the fiscal year 2023 endowment allocation to HPL.
- The Foundation released \$81,474 from Greenberg Trust for HPL programs.
- As of June 30, 2023, the Foundation held \$16.3 million for library programs, including the original \$2.12 million corpus of the Foundation's endowments that is permanently restricted.

#### *Fiscal 2022*

- The Foundation ended the employment of its Executive Director on August 31, 2021. The Foundation did not hire a new Executive Director during this fiscal year. The Foundation is currently conducting a search for a new director. The absence of an Executive Director affected the programmatic efforts of the Foundation. Although Foundation moved into hosting in-person events, unearned and earned income continued to be affected by the COVID-19 pandemic.
  - The Fiscal 2022 Beyond the Page fundraising luncheon was resumed as an in-person event on May 16, 2022.
  - The Houston Literary Awards event was not held in Fiscal Year 2022. HPLF is exploring the opportunity to expand the Literary Awards into a city-wide celebration co-hosted with HPL.
  - Book sales by the Friends of the Houston Public Library were resumed in Fiscal Year 2022, and raised \$9,100 through book sales.
- The Foundation's investment portfolio declined due to poor economic and market performance, generating a negative portfolio return of 13% for the 12-month period ending June 30, 2022.
- The Foundation released \$998,820 from endowment funds for the fiscal year 2022 endowment allocation to HPL.
- The Foundation released \$101,180 from quasi-endowments as requested by Houston Public Library for programs.
- As of June 30, 2022, the Foundation held \$16.5 million for library programs, including the original \$2.12 million corpus of the Foundation's endowments that is permanently restricted.

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

### 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.

#### *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:

<i>June 30,</i>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease) 2023-2022</b>	<b>2021</b>	<b>Increase (Decrease) 2022-2021</b>
Cash and investments	\$ 18,852,399	\$ 18,359,617	\$ 492,782	\$ 22,222,912	\$ (3,863,295)
Other assets	1,243,721	1,357,834	(114,113)	1,659,339	(301,505)
<b>Total assets</b>	<b>\$ 20,096,120</b>	<b>\$ 19,717,451</b>	<b>\$ 378,669</b>	<b>\$ 23,882,251</b>	<b>\$ (4,164,800)</b>
<b>Total liabilities</b>	<b>\$ 510,786</b>	<b>\$ 527,118</b>	<b>\$ (16,332)</b>	<b>\$ 963,687</b>	<b>\$ (436,569)</b>
<b>Net position</b>					
Restricted	\$ 16,173,806	\$ 16,574,913	\$ (401,107)	\$ 19,549,663	\$ (2,974,750)
Unrestricted	3,411,528	2,615,420	796,108	3,368,901	(753,481)
<b>Total net position</b>	<b>\$ 19,585,334</b>	<b>\$ 19,190,333</b>	<b>\$ 395,001</b>	<b>\$ 22,918,564</b>	<b>\$ (3,728,231)</b>

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

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

**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:

<i>For the years ended June 30,</i>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease) 2023-2022</b>	<b>2021</b>	<b>Increase (Decrease) 2022-2021</b>
<b>Expenses</b>					
Programmatic	\$ 1,772,676	\$ 1,710,260	\$ 62,416	\$ 2,291,659	\$ (581,399)
Other	203,215	454,465	(251,250)	448,598	5,867
<b>Total expenses</b>	<b>1,975,891</b>	<b>2,164,725</b>	<b>(188,834)</b>	<b>2,740,257</b>	<b>(575,532)</b>
<b>Revenues</b>					
Investment return	1,005,112	(2,333,911)	3,339,023	4,161,998	(6,495,909)
Contributions and other income	1,365,780	770,405	595,375	564,725	205,680
<b>Total revenue</b>	<b>2,370,892</b>	<b>(1,563,506)</b>	<b>3,934,398</b>	<b>4,726,723</b>	<b>(6,290,229)</b>
<b>Changes in net position</b>	<b>395,001</b>	<b>(3,728,231)</b>	<b>4,123,232</b>	<b>1,986,466</b>	<b>(5,714,697)</b>
<b>Net position, beginning of year</b>	<b>19,190,333</b>	<b>22,918,564</b>	<b>(3,728,231)</b>	<b>20,932,098</b>	<b>1,986,466</b>
<b>Net position, end of year</b>	<b>\$ 19,585,334</b>	<b>\$ 19,190,333</b>	<b>\$ 395,001</b>	<b>\$ 22,918,564</b>	<b>\$ (3,728,231)</b>

**Fiscal 2023**

The Foundation's investment portfolio reflects gains in the value of certain securities as well as dividend income. The overall annual positive return for the portfolio was 6%. The total value of the portfolio at June 30, 2023 was approximately \$18 million and represents about a 3% increase over the prior year.

The other assets balance at June 30, 2023, which comprises the Foundation's beneficial interest in the Greenberg Trust of \$1,243,721.

Non-investment revenues related to contributions, special events, and book sales increased from \$770,405 in fiscal year 2022 to \$1,365,780 in fiscal year 2023.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

#### *Fiscal 2022*

The Foundation's investment portfolio reflects losses in the value of certain securities as well as dividend income. The overall annual negative return for the portfolio was 13%. The total value of the portfolio at June 30, 2022 was approximately \$17 million and represents a 17% decrease over the prior year.

The other assets balance at June 30, 2022, which comprises the Foundation's beneficial interest in the Greenberg Trust of \$1,357,834.

Non-investment revenues related to contributions, special events, and book sales increased from \$564,725 in fiscal year 2021 to \$770,405 in fiscal year 2022.

#### *Governmental Funds*

##### *Fiscal 2023*

At June 30, 2023, the Foundation's governmental funds reported combined ending fund balances of approximately \$18 million, which is an approximate \$0.5 million increase over the prior year. At June 30, 2023, 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 2023, HPL received a total of \$482,401 in endowment allocations and \$81,474 from Greenberg Trust. The Foundation raised \$954,840 in program funds for the HPL during the fiscal year, of which all were released to HPL.

In 2023, the Foundation incurred \$40,257 in financial consulting fees related to the managing of the endowments funds, which were paid with restricted for library program funds.

##### *Fiscal 2022*

At June 30, 2022, the Foundation's governmental funds reported combined ending fund balances of approximately \$18 million, which is an approximate \$3 million decrease over the prior year. At June 30, 2022, 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 2022, HPL received a total of \$1,100,000 in endowment allocations. The Foundation raised \$350,182 in program funds for the HPL during the fiscal year, of which all were released to HPL.

In 2022, the Foundation incurred \$40,330 in financial consulting fees related to the managing of the endowments funds, which were paid with restricted for library program funds.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

#### FUTURE PROJECTS

During FY24, the Foundation will continue to host in-person events. The Foundation will continue to work collaboratively with the Houston Public Library by continuing to support new and existing programs and initiatives that will benefit every Houston community. In FY24, the Foundation will increase our Board of Director's membership to ultimately bring more opportunities to the Houston Public Library and support the overall mission and vision of the Foundation.

#### 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, 2023	General Fund	Permanent Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 912,606	\$ -	\$ 912,606	\$ -	\$ 912,606
Investments	3,126	17,936,667	17,939,793	-	17,939,793
Beneficial interest in charitable trust	-	-	-	1,243,721	1,243,721
<b>Total assets</b>	<b>\$ 915,732</b>	<b>\$ 17,936,667</b>	<b>\$ 18,852,399</b>	<b>\$ 1,243,721</b>	<b>\$ 20,096,120</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accrued expenses and grant payable	\$ 2,578	\$ -	\$ 2,578	\$ -	\$ 2,578
Funds held for others	508,208	-	508,208	-	508,208
<b>Total liabilities</b>	<b>510,786</b>	<b>-</b>	<b>510,786</b>	<b>-</b>	<b>510,786</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	-	12,284,203	12,284,203	(12,284,203)	
Library staff benefits	-	479,843	479,843	(479,843)	
Committed for library programs	-	1,871,420	1,871,420	(1,871,420)	
Assigned for long-term investment	-	1,135,162	1,135,162	(1,135,162)	
Unassigned	404,946	-	404,946	(404,946)	
<b>Total fund balances</b>	<b>404,946</b>	<b>17,936,667</b>	<b>18,341,613</b>	<b>(18,341,613)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 915,732</b>	<b>\$ 17,936,667</b>	<b>\$ 18,852,399</b>		
<b>Net position</b>					
<b>Restricted for</b>					
Library programs and staff benefits				\$ 14,007,767	\$ 14,007,767
Endowment for library programs and staff benefits				2,166,039	2,166,039
Unrestricted				3,411,528	3,411,528
<b>Total net position</b>				<b>\$ 19,585,334</b>	<b>\$ 19,585,334</b>
<b>Total fund balances of governmental funds</b>					<b>\$ 18,341,613</b>
Amounts reported for governmental activities in the statement of net position are different because:					
Beneficial interest in charitable trust are not available for current period expenditures and therefore are not reported					
					1,243,721
<b>Net position of governmental activities</b>					<b>\$ 19,585,334</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**

<i>June 30, 2022</i>	General Fund	Permanent Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 293,422	\$ 636,453	\$ 929,875	\$ -	\$ 929,875
Investments	3,126	17,426,616	17,429,742	-	17,429,742
Beneficial interest in charitable trust	-	-	-	1,357,834	1,357,834
<b>Total assets</b>	<b>\$ 296,548</b>	<b>\$ 18,063,069</b>	<b>\$ 18,359,617</b>	<b>\$ 1,357,834</b>	<b>\$ 19,717,451</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accrued expenses and grant payable	\$ 2,167	\$ -	\$ 2,167	\$ -	\$ 2,167
Funds held for others	479,759	-	479,759	-	479,759
Refundable advance - PPP	45,192	-	45,192	-	45,192
<b>Total liabilities</b>	<b>527,118</b>	<b>-</b>	<b>527,118</b>	<b>-</b>	<b>527,118</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	-	12,640,907	12,640,907	(12,640,907)	
Library staff benefits	-	410,133	410,133	(410,133)	
Committed for library programs	-	1,773,125	1,773,125	(1,773,125)	
Assigned for long-term investment	-	1,072,865	1,072,865	(1,072,865)	
Unassigned	(230,570)	-	(230,570)	230,570	
<b>Total fund balances</b>	<b>(230,570)</b>	<b>18,063,069</b>	<b>17,832,499</b>	<b>(17,832,499)</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 296,548</b>	<b>\$ 18,063,069</b>	<b>\$ 18,359,617</b>		
<b>Net position</b>					
<b>Restricted for</b>					
Library programs and staff benefits				\$ 14,408,874	\$ 14,408,874
Endowment for library programs and staff benefits				2,166,039	2,166,039
<b>Unrestricted</b>					
				2,615,420	2,615,420
<b>Total net position</b>				<b>\$ 19,190,333</b>	<b>\$ 19,190,333</b>
<b>Total fund balances of governmental funds</b>					<b>\$ 17,832,499</b>
Amounts reported for governmental activities in the statement of net position are different because:					
Beneficial interest in charitable trust are not available					
for current period expenditures and therefore are not reported					
					1,357,834
<b>Net position of governmental activities</b>					<b>\$ 19,190,333</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, 2023</i>	General Fund	Permanent Fund	Total	Adjustments	Statement of Activities
<b>Expenditures/Expenses</b>					
Programmatic	\$ 1,772,676	\$ -	\$ 1,772,676	\$ -	\$ 1,772,676
Fundraising	49,686	-	49,686	-	49,686
Management and general	153,529	-	153,529	-	153,529
<b>Total expenditures/expenses</b>	<b>1,975,891</b>	<b>-</b>	<b>1,975,891</b>	<b>-</b>	<b>1,975,891</b>
<b>Revenues</b>					
Investment return	43	1,119,182	1,119,225	(114,113)	1,005,112
Contributions	278,220	1,004,840	1,283,060	-	1,283,060
Forgiveness of PPP loan	45,192	-	45,192	-	45,192
Book sales	37,528	-	37,528	-	37,528
Transfers in/(out)	2,250,424	(2,250,424)	-	-	-
<b>Total revenues</b>	<b>2,611,407</b>	<b>(126,402)</b>	<b>2,485,005</b>	<b>(114,113)</b>	<b>2,370,892</b>
Changes in fund balances/net position	635,516	(126,402)	509,114	(114,113)	395,001
Fund balances/net position, beginning of year	(230,570)	18,063,069	17,832,499	1,357,834	19,190,333
Fund balances/net position, end of year	\$ 404,946	\$ 17,936,667	\$ 18,341,613	\$ 1,243,721	\$ 19,585,334
Net change in fund balances of governmental funds				\$	509,114
Amounts reported for governmental activities in the statement of activities are different because:					
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					
					(114,113)
Change in net position of governmental activities				\$	395,001

*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, 2022</i>	General Fund	Permanent Fund	Total	Adjustments	Statement of Activities
<b>Expenditures/Expenses</b>					
Programmatic	\$ 1,703,231	\$ -	\$ 1,703,231	\$ 7,029	\$ 1,710,260
Fundraising	317,715	-	317,715	-	317,715
Management and general	136,750	-	136,750	-	136,750
<b>Total expenditures/expenses</b>	<b>2,157,696</b>	<b>-</b>	<b>2,157,696</b>	<b>7,029</b>	<b>2,164,725</b>
<b>Revenues</b>					
Investment income	43	(2,376,752)	(2,376,709)	42,798	(2,333,911)
Contributions	288,549	803,182	1,091,731	(337,274)	754,457
Book sales	15,948	-	15,948	-	15,948
Transfers in/(out)	1,614,412	(1,614,412)	-	-	-
<b>Total revenues</b>	<b>1,918,952</b>	<b>(3,187,982)</b>	<b>(1,269,030)</b>	<b>(294,476)</b>	<b>(1,563,506)</b>
<b>Changes in fund balances/net position</b>	<b>(238,744)</b>	<b>(3,187,982)</b>	<b>(3,426,726)</b>	<b>(301,505)</b>	<b>(3,728,231)</b>
Fund balances/net position, beginning of year	8,174	21,251,051	21,259,225	1,659,339	22,918,564
<b>Fund balances/net position, end of year</b>	<b>\$ (230,570)</b>	<b>\$ 18,063,069</b>	<b>\$ 17,832,499</b>	<b>\$ 1,357,834</b>	<b>\$ 19,190,333</b>
<b>Net change in fund balances of governmental funds</b>					<b>\$ (3,426,726)</b>
Amounts reported for governmental activities in the statement of activities are different because:					
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds					
					(7,029)
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					
					42,798
Pledges receivable collected as current financial resources as revenue in the government funds. However reported as a decrease in the Statement of Net Position.					
					(337,274)
<b>Change in net position of governmental activities</b>					<b>\$ (3,728,231)</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 2023 and 2022, programmatic grants to HPL were \$1,518,715 and \$1,450,182, 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.

#### ***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, 2023 and 2022, the Foundation holds \$508,208 and \$479,759, respectively, of selected funds for HPL.

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

In March 2021, the Foundation received a second 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).

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.

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

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

***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, 2023 and 2022, 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.

## 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, 2023, the carrying amount of the Foundation's deposits was \$912,606 and the bank balances totaled \$910,353. Deposits totaling \$660,353 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 pledged collateral.

As of June 30, 2022, the carrying amount of the Foundation's deposits was \$929,875 and the bank balances totaled \$927,623. Deposits totaling \$677,623 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 pledged 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.

US Treasury bills derive their value based on the length of the remaining term of the security, the coupon rate, and the current interest rate. As these securities are not publicly traded, they are not Level 1 assets. However, because the inputs to measure fair value are observable (interest rate, coupon rate, and term length), these assets qualify as Level 2 assets.

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 2 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:

June 30, 2023	Quoted Market Prices		
	in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Investments</b>			
Mutual Funds			
Fixed income	\$ 13,272,432	\$ -	\$ -
Equity securities	3,654,718	-	-
US treasury bills	-	480,525	-
Equity securities	450,748	-	-
Money market	81,370	-	-
Beneficial Interest in charitable trust	-	1,243,721	-
<b>Total assets at fair value</b>	<b>\$ 17,459,268</b>	<b>\$ 1,724,246</b>	<b>\$ -</b>

June 30, 2022	Quoted Market Prices		
	in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Investments</b>			
Mutual Funds			
Fixed income	\$ 10,252,581	\$ -	\$ -
Equity securities	3,293,378	-	-
Equity securities	394,349	-	-
Money market	3,489,434	-	-
Beneficial Interest in charitable trust	-	1,357,834	-
<b>Total assets at fair value</b>	<b>\$ 17,429,742</b>	<b>\$ 1,357,834</b>	<b>\$ -</b>

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

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

Investment income consists of the following:

For the years ended June 30,	2023	2022
Interest and dividend income	\$ 107,766	\$ 150,723
Net realized/unrealized gains (losses) on investments	897,346	(2,484,634)
<b>Total investment return</b>	<b>\$ 1,005,112</b>	<b>\$ (2,333,911)</b>

**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.

As of June 30, 2022, PPP loan funds are recorded as a refundable advance on the statements of net position.

In February 2023, SBA forgave this PPP loan in full and accordingly, the Foundation recognized as revenue.

**SUPPLEMENTARY INFORMATION**

**Houston Public Library Foundation**  
**Schedule of Functional Expenses (Unaudited)**

*For the year ended June 30,*

2023

	Program	Management and General	Fundraising	Total
Grants and other assistance to domestic organizations and domestic governments	\$ 1,574,052	\$ -	\$ -	\$ 1,574,052
Salaries and wages	55,225	60,125	16,320	131,670
Employee benefits	13,798	17,819	7,052	38,669
Payroll taxes	21,465	15,769	7,014	44,248
Fees for services (non-employees):				
Accounting	-	49,592	-	49,592
Payroll	-	7,119	-	7,119
Other	35,166	1,560	-	36,726
Advertising	200	-	-	200
Office expenses	23,100	1,545	19,300	43,945
Information technology	28,206	-	-	28,206
Occupancy	16,695	-	-	16,695
Insurance	4,769	-	-	4,769
<b>Total expenses</b>	<b>\$ 1,772,676</b>	<b>\$ 153,529</b>	<b>\$ 49,686</b>	<b>\$ 1,975,891</b>