

WAUKEGAN PUBLIC LIBRARY FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended
December 31, 2016



WAUKEGAN PUBLIC LIBRARY FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waukegan Public Library Foundation
Waukegan, Illinois

We have audited the accompanying financial statements of Waukegan Public Library Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waukegan Public Library Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sikich LLP

Naperville, Illinois
October 19, 2017

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS	
Cash and cash equivalents	\$ 305,334
Contributions receivable	<u>3,365</u>
TOTAL ASSETS	<u><u>\$ 308,699</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Due to related party	<u>\$ 9,954</u>
Total liabilities	<u>9,954</u>
NET ASSETS	
Unrestricted	57,040
Temporarily restricted	199,728
Permanently restricted	<u>41,977</u>
Total net assets	<u>298,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 308,699</u></u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 35,000	\$ 417,552	\$ -	\$ 452,552
In-kind contributions	50,745	-	-	50,745
Investment income	120	-	-	120
Net assets released from restrictions	311,576	(311,576)	-	-
Total revenues, gains, and other support	397,441	105,976	-	503,417
EXPENSES				
Administrative expense	67,287	-	-	67,287
Donations to Waukegan Public Library	311,881	-	-	311,881
Total expenses	379,168	-	-	379,168
CHANGE IN NET ASSETS	18,273	105,976	-	124,249
NET ASSETS, BEGINNING OF YEAR	38,767	93,752	41,977	174,496
NET ASSETS, END OF YEAR	\$ 57,040	\$ 199,728	\$ 41,977	\$ 298,745

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOW

For the Years Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 124,249
Adjustments to reconcile change in net assets to net cash from operating activities	
Changes in operating assets and liabilities	
Contributions receivable	(749)
Due to related party	9,154
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Net cash from operating activities	132,654
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NET INCREASE IN CASH AND CASH EQUIVALENTS	132,654
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/>
	172,680
	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/>
	\$ 305,334
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See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. NATURE OF ACTIVITIES

Waukegan Public Library Foundation (the Foundation) established in 1986, is a 501(c)(3) nonprofit organization which encourages voluntary support for the Waukegan Public Library. This support is used to help meet both the present and future needs of the patrons of the Waukegan Public Library.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Foundation's cash deposits may exceed the federally insured limits and at December 31, 2016, its uninsured deposits totaled \$24,781. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents

Pledges Receivable

All unconditional pledges to give are recorded at their estimated realizable value. Management has determined that the estimated realizable value is equal to the amount originally pledged less any payments made on the pledges. Unconditional pledges to give that are to be received after one year are discounted, if material, at an appropriate discount rate; based on the date the promise is made.

Net Assets

The Foundation classifies net assets as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets of the Foundation are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Foundation has elected to classify revenues as unrestricted if donor restrictions are met in the same reporting period.

Temporarily restricted net assets of the Foundation result (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to/from other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Foundation pursuant to those stipulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently restricted net assets of the Foundation result (a) from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to/from other classes of net assets as a consequence of donor-imposed stipulations.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets and are transferred to unrestricted net assets when the restrictions expire.

In-Kind Contributions

During the year ended December 31, 2016, contributed in-kind services included personnel services of approximately \$50,745, which meet the criteria, are recorded as support and expenses at values determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material to these financial statements.

3. INCOME TAXES

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and the corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

WAUKEGAN PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

4. PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The contribution receivable asset balance consists of pledges for general operations totaling \$3,365 as of December 31, 2016.

5. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors for the year ended December 31, 2016 were comprised of the following:

Grants to Waukegan Public Library	<u>\$ 311,576</u>
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6. NET ASSETS

Temporarily restricted net assets are restricted for purpose and are available for the following purpose as of December 31, 2016:

Grants for Waukegan Public Library	<u>\$ 199,728</u>
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7. PERMANENTLY RESTRICTED NET ASSETS

The Foundation's endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. There were no amounts appropriated as of December 31, 2016.

WAUKEGAN PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in accordance with predetermined asset allocation and performance benchmarks.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's spending policy provides that only the income from endowments may be used for the general purposes of the Foundation, with the Foundation withdrawing current income as it is needed.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as "underwater" endowments. Though the Foundation is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organizations requires that such losses and subsequent gains be reflected as changes in accordance with accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2016, the Foundation's endowment was not underwater.

The Foundation maintains interest-bearing deposit accounts for its endowment. Investment income and realized and unrealized gains and losses from securities in the pooled investment account are allocated annually to the endowment based on the relationship of the beginning of the year fair value of the interest of the endowment to the total value of the pooled investment account.

Endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ -	\$ 41,977	\$ 41,977
TOTAL	\$ -	\$ -	\$ 41,977	\$ 41,977

WAUKEGAN PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)

7. PERMANENTLY RESTRICTED NET ASSETS (Continued)

During the year ended December 31, 2016, the Foundation had the following endowment related activities:

	<u>2016</u>
Donor restricted	<u>\$ 41,977</u>
Contributions	<u>-</u>
Investment return	<u>-</u>
Total investment return	<u>-</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u><u>\$ 41,977</u></u>

8. CONCENTRATIONS

The Foundation receives contributions and grants from various donors. Two donors made up about 83% total contributions for the year ended December 31, 2016.

9. RELATED PARTY TRANSACTIONS

The Foundation is considered to be a discretely presented component unit of the Waukegan Public Library, who is a related party. The Board of Directors of the Foundation is appointed by the Library's Executive Director or other Foundation directors and then approved by a vote. The Library can impose its will on the Foundation. During the year, the Foundation gave the Library \$311,881 to be spent on literacy related programs and special events.

The Waukegan Public Library provides accounting and other administrative services without charge to the Foundation. Library officials estimate the value of these services for the year ended December 31, 2016 to be \$50,745. This amount is reflected in the statement of activities.

During the year ended December 31, 2016, the Foundation sent donations to the Waukegan Public Library in the amount of \$311,881 with \$9,954 included in due to related party in the statement of financial position as of December 31, 2016.

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 19, 2017, which was the date that these financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.