



**WAUKEGAN PUBLIC LIBRARY  
FOUNDATION**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the 16-Month Period Ended April 30, 2018 and  
Year Ended December 31, 2016



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**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 statements of financial position as of April 30, 2018 and December 31, 2016, and the related statements of activities and cash flows for the 16-month period and 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 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 the audits 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 April 30, 2018 and December 31, 2016, and the changes in its net assets and its cash flows for the 16-month period and year then ended in conformity with accounting principles generally accepted in the United States of America.

*Sikich LLP*

Naperville, Illinois  
September 17, 2018

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

As of April 30, 2018 and December 31, 2016

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	<b>April 30, 2018</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 394,165	\$ 305,334
Contributions receivable	-	3,365
<b>TOTAL ASSETS</b>	<b>\$ 394,165</b>	<b>\$ 308,699</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to related party	\$ 237,475	\$ 9,954
Total liabilities	237,475	9,954
<b>NET ASSETS</b>		
Unrestricted	(224,967)	57,040
Temporarily restricted	339,680	199,728
Permanently restricted	41,977	41,977
Total net assets	156,690	298,745
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 394,165</b>	<b>\$ 308,699</b>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**

**STATEMENTS OF ACTIVITIES**

For the 16-Month Period Ended April 30, 2018

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ -	\$ 386,107	\$ -	\$ 386,107
In-kind contributions	163,341	-	-	163,341
Interest income	156	-	-	156
Net assets released from restrictions	246,155	(246,155)	-	-
 Total revenues, gains, and other support	 409,652	 139,952	 -	 549,604
<b>EXPENSES</b>				
Administrative expense	173,684	-	-	173,684
Donations to Waukegan Public Library	517,975	-	-	517,975
 Total expenses	 691,659	 -	 -	 691,659
 CHANGE IN NET ASSETS	 (282,007)	 139,952	 -	 (142,055)
 NET ASSETS, BEGINNING OF PERIOD	 57,040	 199,728	 41,977	 298,745
 <b>NET ASSETS, END OF PERIOD</b>	 <b>\$ (224,967)</b>	 <b>\$ 339,680</b>	 <b>\$ 41,977</b>	 <b>\$ 156,690</b>

See accompanying notes to financial statements.

# WAUKEGAN PUBLIC LIBRARY FOUNDATION

## STATEMENTS OF ACTIVITIES (Continued)

For the Year Ended December 31, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 35,000	\$ 417,552	\$ -	\$ 452,552
In-kind contributions	50,745	-	-	50,745
Interest income	120	-	-	120
Net assets released from restrictions	311,576	(311,576)	-	-
Total revenues, gains, and other support	397,441	105,976	-	503,417
<b>EXPENSES</b>				
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
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 57,040</b>	<b>\$ 199,728</b>	<b>\$ 41,977</b>	<b>\$ 298,745</b>

See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**

**STATEMENTS OF CASH FLOWS**

For the 16-Month Period Ended April 30, 2018 and Year Ended December 31, 2016

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	<b>April 30, 2018</b>	<b>December 31, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (142,055)	\$ 124,249
Adjustments to reconcile change in net assets to net cash from operating activities		
Changes in operating assets and liabilities		
Contributions receivable	3,365	(749)
Due to related party	227,521	9,154
Net cash from operating activities	<u>88,831</u>	<u>132,654</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,831	132,654
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>305,334</u>	<u>172,680</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><u>\$ 394,165</u></u>	<u><u>\$ 305,334</u></u>

See accompanying notes to financial statements.



# WAUKEGAN PUBLIC LIBRARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

For the 16-Month Period Ended April 30, 2018 and Year Ended December 31, 2016

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### 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.

The Board of Directors voted to change the Foundation's calendar year end of December 31<sup>st</sup> to a fiscal year end of April 30<sup>th</sup>. These financial statements reflect the Foundation's activities for the 16-month period ended April 30, 2018 and the year ended December 31, 2016.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents

The Foundation considers all short-term investments in interest-bearing bank accounts, securities and other instruments having an original maturity of three months or less to be equivalent to cash.

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, the Foundation's cash deposits may exceed the federally insured limits. At April 30, 2018 and December 31, 2016, its uninsured deposits totaled \$23,810 and \$24,781, respectively. The Foundation 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets (Continued)

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.

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 16-month period ended April 30, 2018 and year ended December 31, 2016, contributed in-kind services included personnel services of approximately \$163,341 and \$50,745, respectively, 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 these estimates.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018. The Foundation is currently assessing the impact of this new standard.

**3. INCOME TAXES**

The Foundation has received notification that it qualifies as a tax-exempt organization, other than a private foundation, 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.

**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 \$0 and \$3,365 as of April 30, 2018 and December 31, 2016, respectively.

**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 16-month period ended April 30, 2018 and year ended December 31, 2016 were comprised of the following:

	<b>April 30, 2018</b>	<b>December 31, 2016</b>
Grants to Waukegan Public Library	\$ 246,155	\$ 311,576

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. NET ASSETS**

Temporarily restricted net assets are restricted for purpose and are available for the following purpose as of:

	<u>April 30, 2018</u>	<u>December 31, 2016</u>
Grants for Waukegan Public Library	\$ 339,680	\$ 199,728

**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 April 30, 2018 and December 31, 2016.

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.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**7. PERMANENTLY RESTRICTED NET ASSETS (Continued)**

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 April 30, 2018 and 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 April 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ -	\$ 41,977	\$ 41,977
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,977</b>	<b>\$ 41,977</b>

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
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,977</b>	<b>\$ 41,977</b>

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**7. PERMANENTLY RESTRICTED NET ASSETS (Continued)**

During the 16-month period ended April 30, 2018 and year ended December 31, 2016, the Foundation had the following endowment related activities:

	<u>2018</u>	<u>2016</u>
Donor restricted	\$ 41,977	\$ 41,977
Contributions	-	-
Investment return	-	-
Total investment return	-	-
ENDOWMENT NET ASSETS, END OF PERIOD	<u>\$ 41,977</u>	<u>\$ 41,977</u>

**8. CONCENTRATIONS**

The Foundation receives contributions and grants from various donors. Two donors made up about 47% of total contributions for the 16-month period ended April 30, 2018 and three donors made up about 57% of 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 (the 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.

The Library provides accounting and other administrative services without charge to the Foundation. Library officials estimate the value of these services for the 16-month period ended April 30, 2018 and year ended December 31, 2016 to be \$163,341 and \$50,745, respectively. This amount is reflected in the statements of activities.

During the 16-month period ended April 30, 2018 and year ended December 31, 2016, the Foundation sent donations to the Library in the amount of \$517,975 and \$311,881, respectively, with \$237,475 and \$9,954 included in due to related party in the statements of financial position as of April 30, 2018 and December 31, 2016, respectively.

**10. SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through September 17, 2018, 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.