

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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Schuh|Browne

CERTIFIED PUBLIC
ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
San Antonio Public Library Foundation

Opinion

We have audited the accompanying financial statements of San Antonio Public Library Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and functional expenses for the year ended December 31, 2022, the statements of cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Public Library Foundation as of December 31, 2022 and 2021, and the changes in its net assets for the year ended December 31, 2022, and its cash flows for the years ended December 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Antonio Public Library Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 San Antonio Public Library Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Lincoln Center
7800 West IH-10, Suite 630
San Antonio, TX 78230
210•979•7600
Fax 210•979•7679

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 San Antonio 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 San Antonio 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.

Report on Summarized Comparative Information

We have previously audited San Antonio Public Library Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schul Browne, P. C.

San Antonio, Texas
April 7, 2023

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 887,185	\$ 898,913
Investments, unrestricted and undesignated	290,765	342,246
Contributions receivable	14,725	4,560
Pledges and grants receivable, current	15,000	15,000
Prepaid expenses and other current assets	<u>6,761</u>	<u>7,650</u>
Total current assets	<u>1,214,436</u>	<u>1,268,369</u>
Pledges and grants receivable, long-term, net	<u>-</u>	<u>4,917</u>
Property and equipment:		
Office and other equipment	262,907	262,907
Shook property	751,166	751,166
Artwork	<u>605,000</u>	<u>605,000</u>
Total property and equipment	1,619,073	1,619,073
Less accumulated depreciation	<u>(455,907)</u>	<u>(395,717)</u>
Net property and equipment	<u>1,163,166</u>	<u>1,223,356</u>
Investments, with donor restrictions	<u>764,076</u>	<u>984,263</u>
Investments, endowment:		
Investments, without donor restrictions	628,042	802,473
Investments, with donor restrictions	<u>3,796,420</u>	<u>4,468,584</u>
Total investments, endowment	<u>4,424,462</u>	<u>5,271,057</u>
Beneficial interest in perpetual trust	<u>269,219</u>	<u>324,241</u>
Total assets	<u>\$ 7,835,359</u>	<u>\$ 9,076,203</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 20,721	\$ 58,653
Accrued expenses	4,907	12,082
Grants payable to San Antonio Public Library	<u>212,750</u>	<u>262,739</u>
Total current liabilities	<u>238,378</u>	<u>333,474</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,787,100	2,048,516
Board-designated	<u>628,042</u>	<u>802,473</u>
Total net assets without donor restrictions	<u>2,415,142</u>	<u>2,850,989</u>
With donor restrictions:		
Time or purpose restrictions	2,607,962	3,317,863
Restrictions that are perpetual in nature	<u>2,573,877</u>	<u>2,573,877</u>
Total net assets with donor restrictions	<u>5,181,839</u>	<u>5,891,740</u>
Total net assets	<u>7,596,981</u>	<u>8,742,729</u>
Total liabilities and net assets	<u>\$ 7,835,359</u>	<u>\$ 9,076,203</u>

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

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(With Comparative Totals For Year Ended December 31, 2021)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
Public support and revenue:				
Special events:				
Gross revenue	\$ 248,594	\$ -	\$ 248,594	\$ 241,901
Less direct expenses	<u>(177,247)</u>	<u>-</u>	<u>(177,247)</u>	<u>(125,492)</u>
Net special events support	71,347	-	71,347	116,409
Contributions	437,984	367,252	805,236	1,417,415
In-kind contributions	55,744	-	55,744	31,866
Paycheck Protection Program grant	-	-	-	46,300
Miscellaneous income	3,478	-	3,478	895
Loss on sale of artwork	-	-	-	(4,750)
Investment income, net	<u>100,927</u>	<u>330,399</u>	<u>431,326</u>	<u>532,152</u>
Total public support	669,480	697,651	1,367,131	2,140,287
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>262,280</u>	<u>(262,280)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>931,760</u>	<u>435,371</u>	<u>1,367,131</u>	<u>2,140,287</u>
Expenses:				
Program services	815,963	-	815,963	990,943
General and administrative	110,501	-	110,501	104,476
Fundraising	<u>168,761</u>	<u>-</u>	<u>168,761</u>	<u>180,475</u>
Total expenses	<u>1,095,225</u>	<u>-</u>	<u>1,095,225</u>	<u>1,275,894</u>
Change in net assets before unrealized gains (losses) and change in value of split-interest agreement	(163,465)	435,371	271,906	864,393
Unrealized gains (losses) on investments	(272,382)	(1,104,750)	(1,377,132)	489,771
Change in value of split-interest agreement	<u>-</u>	<u>(40,522)</u>	<u>(40,522)</u>	<u>34,814</u>
Change in net assets	(435,847)	(709,901)	(1,145,748)	1,388,978
Net assets at beginning of year	<u>2,850,989</u>	<u>5,891,740</u>	<u>8,742,729</u>	<u>7,353,751</u>
Net assets at end of year	<u>\$ 2,415,142</u>	<u>\$ 5,181,839</u>	<u>\$ 7,596,981</u>	<u>\$ 8,742,729</u>

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

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(With Comparative Totals For Year Ended December 31, 2021)

	Program <u>Services</u>	General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 217,413	\$ 46,588	\$ 46,589	\$ 310,590	\$ 293,998
Employee benefits	23,171	4,966	4,965	33,102	25,665
Payroll taxes	<u>17,429</u>	<u>3,734</u>	<u>3,735</u>	<u>24,898</u>	<u>27,139</u>
Total salaries and related expenses	258,013	55,288	55,289	368,590	346,802
Bad debts	-	1,000	-	1,000	-
Contract services	2,690	337	336	3,363	2,755
Hospitality	4,616	2,565	3,077	10,258	11,171
Expenses to/for the S.A. Public Library:					
Direct cash contributions to the Library	384,918	-	-	384,918	656,393
Expenses paid on behalf of the Library	47,355	-	-	47,355	9,640
Insurance	9,844	5,468	6,563	21,875	15,843
In-kind expenses	6,325	-	49,419	55,744	31,866
Office equipment	-	-	-	-	684
Office supplies	15,867	8,815	10,578	35,260	29,705
Other expenses	2,057	1,143	1,372	4,572	7,976
Postage, printing and mailings	12,390	6,883	8,260	27,533	25,661
Professional fees	28,118	4,687	4,686	37,491	39,432
Repairs and maintenance	6,450	3,583	4,300	14,333	23,452
Subscriptions and memberships	190	106	127	423	2,018
Telephone	1,497	831	998	3,326	3,356
Travel and lodging	2,000	1,111	1,334	4,445	1,012
Utilities	<u>6,547</u>	<u>3,637</u>	<u>4,365</u>	<u>14,549</u>	<u>12,593</u>
Total expenses before depreciation	788,877	95,454	150,704	1,035,035	1,220,359
Depreciation	<u>27,086</u>	<u>15,047</u>	<u>18,057</u>	<u>60,190</u>	<u>55,535</u>
Total expenses	<u>\$ 815,963</u>	<u>\$ 110,501</u>	<u>\$ 168,761</u>	<u>\$ 1,095,225</u>	<u>\$ 1,275,894</u>

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

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Change in net assets	\$ (1,145,748)	\$ 1,388,978
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	60,190	55,535
Loss on sale of artwork	-	4,750
Cash received in agency transactions	-	445,500
Cash disbursed in agency transactions	-	(445,500)
Realized and unrealized (gains) losses on investments	1,112,814	(915,197)
Change in:		
Contributions receivable	(10,165)	2,134
Pledges and grants receivable	4,917	14,669
Prepaid expenses and other current assets	889	(2,200)
Accounts payable	(37,932)	38,694
Accrued liabilities	(7,175)	8,827
Grants payable	(49,989)	233,672
Beneficial interest in perpetual trust	<u>55,022</u>	<u>(7,687)</u>
Net cash provided (used) by operating activities	<u>(17,177)</u>	<u>822,175</u>
 Cash flows from investing activities:		
Purchase of investments	(162,551)	(1,057,693)
Proceeds from the sale of investments	168,000	469,781
Proceeds from the sale of artwork	-	250
Purchase of property and equipment	<u>-</u>	<u>(27,949)</u>
Net cash provided (used) by investing activities	<u>5,449</u>	<u>(615,611)</u>
 Net increase (decrease) in cash	(11,728)	206,564
 Cash and cash equivalents at beginning of year	<u>898,913</u>	<u>692,349</u>
 Cash and cash equivalents at end of year	<u>\$ 887,185</u>	<u>\$ 898,913</u>
 Supplemental schedule of cash flow information:		
Non-cash contributions:		
Other contributions of non-financial assets and services (see Note 10)	<u>\$ 55,744</u>	<u>\$ 31,866</u>
Total non-cash contributions of assets and services	<u>\$ 55,744</u>	<u>\$ 31,866</u>

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

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1 NATURE OF ORGANIZATION

The San Antonio Public Library Foundation (the Foundation) is a non-profit corporation whose mission is to strengthen the San Antonio Public Libraries (Library) in service to our community, thereby enhancing the community's appreciation and utilization for the Library as a cultural and educational institution. The Foundation is primarily dependent upon contributions and grants for its support.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets, support and revenues, and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Foundation generally are not considered "restricted" under GAAP, though for internal reporting the Foundation tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restriction, board designated.
- *With Donor Restrictions:* Net assets subject to donor-imposed stipulations that are more restrictive than the Foundation's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, including earnings from the permanent endowment not expended at year-end. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented.

Cash and Cash Equivalents

For purposes of the financial statements, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF ACCOUNTING POLICIES (Continued)

Investments

Investments without restrictions are reported at fair market value determined by quoted market prices. Investment earnings are reported net of investment fees.

Endowment investments are reported at fair market value determined by quoted market prices. Endowments include both donor-restricted endowment funds and funds designated by its Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions. Earnings from these endowment investments that are not expended at year-end are reported as with donor restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment that cost \$1,000 or more. Property and equipment are stated at cost if purchased or fair market value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Shook property	40 years
Furniture and fixtures	10 years
Equipment	5 years
Software	3 years

In prior years, the Foundation purchased a bronze sculpture by the artist Fernando Botero and the Linda Pace Foundation made an in-kind donation of an art sculpture, Jesse Amado's "Days". Artwork is stated at cost or fair market value at the time of purchase or donation. Artwork is on display at the San Antonio Public Library on 625 Shook Avenue. Artwork is not subject to depreciation.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable grants received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue With and Without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property and equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period; otherwise, the restriction expires when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Gifts and Services

Contributed gifts and services include monetary gifts as well as in-kind contributions. Donated materials are valued based on their estimated fair market value on the date of contribution. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Perpetual Trusts

The Foundation is the beneficiary of a perpetual irrevocable trust held and administered by an independent trustee. Under the terms of the trust, the Foundation has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restriction at the date the trust is established. The Foundation's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to control or direction by the Foundation. Distributions of income from the trust are reported as investment income. Gains and losses which are not distributed by the trust are reflected as the change in value of perpetual trusts held by others in the statement of activities.

Income Tax Status

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management's time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

Adoption of FASB ASC 842 (Leases)

Effective January 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 did not have a material impact on the Foundation's financial statements.

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated by management through April 7, 2023, the date which the financial statements were available for issue.

3 CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash and cash equivalent balances in accounts with two financial institutions. At December 31, 2022, the Foundation's cash deposits exceeded federally insured limits by \$244,715 in one financial institution, and the Foundation held an additional \$384,788 in cash equivalents in a brokerage account that is not covered by federal deposit insurance.

4 INVESTMENTS

Investments consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investments, unrestricted and undesignated:		
Large-cap balanced mutual funds	\$ 290,765	\$ 342,246
Investments, restricted:		
Large-cap balanced mutual funds	764,076	984,263
Investments, endowment:		
Large-cap balanced mutual funds	<u>4,424,462</u>	<u>5,271,057</u>
 Total investments	 <u><u>\$ 5,479,303</u></u>	 <u><u>\$ 6,597,566</u></u>

Investment earnings, including interest earned on accounts classified as cash and cash equivalents, are summarized as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 126,486	\$ 106,727
Realized gains	304,840	425,425
Unrealized gains (losses) on changes in market value	<u>(1,417,654)</u>	<u>524,585</u>
Investment earnings, net	<u><u>\$ (986,328)</u></u>	<u><u>\$ 1,056,737</u></u>

Investment earnings are included in the Statement of Activities as follows:

	<u>2022</u>	<u>2021</u>
Investment income, net	\$ 431,326	\$ 532,152
Unrealized gains (losses) on investments	(1,377,132)	489,771
Change in value of split-interest agreement	<u>(40,522)</u>	<u>34,814</u>
Investment earnings, net	<u><u>\$ (986,328)</u></u>	<u><u>\$ 1,056,737</u></u>

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

5 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). There were no changes in the valuation techniques during the year.

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Investments, unrestricted and undesignated - mutual funds	\$ 290,765	\$ -	\$ -	\$ 290,765
Investments, restricted - mutual funds	764,076	-	-	764,076
Investments, endowment - mutual funds	4,424,462	-	-	4,424,462
Total investments	5,479,303	-	-	5,479,303
Beneficial interest in perpetual trust	-	-	269,219	269,219
Total assets measured at fair value on a recurring basis	<u>\$ 5,479,303</u>	<u>\$ -</u>	<u>\$ 269,219</u>	<u>\$ 5,748,522</u>
	2021			
	Level 1	Level 2	Level 3	Total
Investments, unrestricted and undesignated - equities, mutual funds, and exchange-traded funds	\$ 342,246	\$ -	\$ -	\$ 342,246
Investments, restricted - mutual funds	984,263	-	-	984,263
Investments, endowment - mutual funds	5,271,057	-	-	5,271,057
Total investments	6,597,566	-	-	6,597,566
Beneficial interest in perpetual trust	-	-	324,241	324,241
Total assets measured at fair value on a recurring basis	<u>\$ 6,597,566</u>	<u>\$ -</u>	<u>\$ 324,241</u>	<u>\$ 6,921,807</u>

The Foundation considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The following table sets forth a summary of changes in the fair value of Level 3 assets for the years ended December 31, 2022 and 2021:

	2022				
	Beginning Balance	Purchases and Contributions	Sales and Distributions	Total Gains (Losses) & Fees	Ending Balance
Beneficial interest in perpetual trust	\$ 324,241	\$ -	\$ (14,500)	\$ (40,522)	\$ 269,219
Total Level 3 assets	<u>\$ 324,241</u>	<u>\$ -</u>	<u>\$ (14,500)</u>	<u>\$ (40,522)</u>	<u>\$ 269,219</u>
	2021				
	Beginning Balance	Purchases and Contributions	Sales and Distributions	Total Gains (Losses) & Fees	Ending Balance
Beneficial interest in perpetual trust	\$ 316,554	\$ -	\$ (27,127)	\$ 34,814	\$ 324,241
Total Level 3 assets	<u>\$ 316,554</u>	<u>\$ -</u>	<u>\$ (27,127)</u>	<u>\$ 34,814</u>	<u>\$ 324,241</u>

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

6 PLEDGES AND GRANTS RECEIVABLE

The Foundation has outstanding unconditional pledges and grants receivable to raise donations for the Texana Resource Center and special events. At December 31, 2022 and 2021, pledges and grants receivable were discounted to present value using an average rate of 1.7%, since they are expected to be collected over several years. Pledges are expected to be realized in the following years:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 15,000	\$ 15,000
Between one and three years	-	5,000
Total pledges and grants receivable	<u>15,000</u>	<u>20,000</u>
Less discount to net present value	<u>-</u>	<u>(83)</u>
Net pledges and grants receivable	<u>\$ 15,000</u>	<u>\$ 19,917</u>

There were no conditional promises to give at December 31, 2022 and 2021.

7 ENDOWMENT

The Foundation's endowment consist of eight individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 ENDOWMENT (Continued)

Underwater Endowment Funds

From time to time, the fair value of investments associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA required the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2022 or 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment investments 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. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Endowment funds over time are expected to provide a positive rate of return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving 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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board has established a policy for distributions, which stipulates that investment income shall be distributed at least annually in an amount elected each year by the Executive Committee. For the years ended December 31, 2022 and 2021, the Foundation elected to make distributions equivalent to 0% and 5% of the principal, respectively. Interest and dividends earned are used for operations and programs.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

	2022			Total Endowment
	Without Donor Restrictions	With Donor Restrictions Time or Purpose	Perpetual in Nature	
Donor-restricted endowment funds	\$ -	\$ 1,222,543	\$ 2,573,877	\$ 3,796,420
Board-designated endowment funds	628,042	-	-	628,042
Total endowment funds	<u>\$ 628,042</u>	<u>\$ 1,222,543</u>	<u>\$ 2,573,877</u>	<u>\$ 4,424,462</u>

	2021			Total Endowment
	Without Donor Restrictions	With Donor Restrictions Time or Purpose	Perpetual in Nature	
Donor-restricted endowment funds	\$ -	\$ 1,894,707	\$ 2,573,877	\$ 4,468,584
Board-designated endowment funds	802,473	-	-	802,473
Total endowment funds	<u>\$ 802,473</u>	<u>\$ 1,894,707</u>	<u>\$ 2,573,877</u>	<u>\$ 5,271,057</u>

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 ENDOWMENT (Continued)

Endowment investments had the following activity for the years ended December 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions		Total Endowment
		Time or Purpose	Perpetual in Nature	
<i>Year Ended December 31, 2022:</i>				
Endowment net assets, beginning of year	\$ 802,473	\$ 1,894,707	\$ 2,573,877	\$ 5,271,057
Interest and dividends	14,839	82,650	-	97,489
Net realized gains on sales	59,477	206,469	-	265,946
Net unrealized losses	(198,747)	(961,283)	-	(1,160,030)
Appropriations	(50,000)	-	-	(50,000)
Endowment net assets, end of year	<u>\$ 628,042</u>	<u>\$ 1,222,543</u>	<u>\$ 2,573,877</u>	<u>\$ 4,424,462</u>

	Without Donor Restrictions	With Donor Restrictions		Total Endowment
		Time or Purpose	Perpetual in Nature	
<i>Year Ended December 31, 2021:</i>				
Endowment net assets, beginning of year	\$ 705,657	\$ 1,514,865	\$ 2,573,877	\$ 4,794,399
Interest and dividends	9,915	42,418	-	52,333
Net realized gains on sales	58,922	341,362	-	400,284
Net unrealized gains	67,833	392,993	-	460,826
Appropriations	(39,854)	(396,931)	-	(436,785)
Endowment net assets, end of year	<u>\$ 802,473</u>	<u>\$ 1,894,707</u>	<u>\$ 2,573,877</u>	<u>\$ 5,271,057</u>

8 625 SHOOK AVENUE PROPERTY

In March 2004, the Foundation purchased a house at 625 Shook Avenue and adjacent to the San Antonio Landa branch library. The purchase price of the house, including closing costs, was approximately \$231,000. The Foundation renovated the property with an additional investment of approximately \$403,000. The Foundation also received approximately \$117,000 in donated materials and services from the general contractor and certain sub-contractors. The total basis in the property is \$784,829. The house provides additional programming and public space for the Landa branch library, as well as serving as the administrative offices for the Foundation.

9 SPLIT-INTEREST AGREEMENTS

Beneficial Interest in Perpetual Trust

During 2018, the Foundation learned that it was a beneficiary of an irrevocable perpetual trust managed by an independent third-party trustee. Under the terms of the split-interest agreement, the Foundation is to receive 5% of the net income of the trust each year to support the travel collection of books and other educational materials for the San Antonio Public Library. The Foundation has recognized an asset for its beneficial interest in this perpetual trust, equal to 5% of the approximate fair value of the trust's net assets as of December 31, 2022 and 2021. Changes in the fair value of the Foundations beneficial interest in this trust are recorded as gains and losses by the Foundation. The Foundation recognized a loss of \$40,522 and a gain of \$34,814 for the change in beneficial interest in the years ended December 31, 2022 and 2021, respectively. Distributions from this trust totaled \$14,500 and \$27,127 for the years ended December 31, 2022 and 2021, respectively.

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 IN-KIND REVENUE

In-kind contributions to the Foundation consisted of the following during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Books	\$ 6,325	\$ -
Goods and services related to special events	<u>49,419</u>	<u>31,866</u>
Total	<u>\$ 55,744</u>	<u>\$ 31,866</u>

The Foundation's policy related to gifts in-kind is to utilize the assets given to carry out the organization's mission where possible, and to monetize any assets given that do not relate directly to the organization's mission. If an asset is provided that does not allow the Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

11 NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Texana	\$ 29,154	\$ 13,053
SAPL Art Fund	2,201	2,200
Holocaust Learn & Remember	395	750
Library Branch Programming	25,219	20,795
Literary Caravan	136,291	-
L3	-	17,000
Low Vision	764,076	984,263
Little Read Wagon	10,050	50
Latino Collection & Resource Center	30,000	-
Bike & Read	11	11
SAPL Staff Enrichment and Development	5,583	9,500
Brook Hollow Library	100	-
Central Library	3,175	150
Cody Branch Library	168	-
Collins Library	50	-
Johnston Library	40,000	-
Semmes Library	20,000	-
Parman Library	2,000	-
Maverick Branch Library	100	100
Mission Branch Library	1,000	1,000
SAPL travel collection and educational materials	41,627	27,126
Subject to expenditure in future fiscal years	5,000	22,917
Accumulated investment gains on endowment funds:		
With purpose restrictions	1,222,543	1,894,707
Original endowment gift amounts required by donor to be retained in perpetuity	2,573,877	2,573,877
Beneficial interest in perpetual trusts	<u>269,219</u>	<u>324,241</u>
Total net assets with donor restrictions	<u>\$ 5,181,839</u>	<u>\$ 5,891,740</u>

(Continued)

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 18,034	\$ 10,000
Satisfaction of purpose restrictions:		
Texana	28,870	120,647
SAPL Art Fund	-	650
Holocaust Learn & Remember	355	10,000
Literacy Caravan	53,172	-
Library Branch Programming	12,026	5,358
Learn Centers	-	3,000
Low Vision	118,000	50,000
Little Read Wagon	-	50
Latino Collection & Resource Center	2,000	-
Born to Read	21,156	23,514
Carver Library	-	25,000
Central Library	-	7,045
Landa Library	4,750	21,067
SAPL travel collection and educational materials	-	24,033
SAPL Staff Enrichment and Development	3,917	-
Other	-	1,000
Restricted-purpose endowment distributions:		
SAPL travel collection and educational materials	-	4,922
Technology	-	182,666
General use	-	209,343
Net assets released from donor restrictions	<u>\$ 262,280</u>	<u>\$ 698,295</u>

12 DISTRIBUTIONS TO THE SAN ANTONIO PUBLIC LIBRARY

The Foundation made direct distributions (cash) and indirect distributions (payroll and related expenses and supplies) to the Library as follows during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Direct:		
Cash	\$ 384,918	\$ 656,393
Indirect:		
Books and materials	35,034	7,895
Equipment, furniture, and signage	1,503	-
Marketing and communications	3,175	-
Postage, printing and mailings	1,726	-
Contract services	-	1,135
Receptions and dinners	-	610
Staff development	3,917	-
Other	2,000	-
Total indirect distributions	<u>47,355</u>	<u>9,640</u>
Total distributions to San Antonio Public Library	<u>\$ 432,273</u>	<u>\$ 666,033</u>

SAN ANTONIO PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution 403(b) plan (the Plan) for eligible employees. Eligible employees may contribute a percentage of their salary to the Plan. After completing one year of service, eligible full-time employees may receive an allocation of a discretionary employer contribution made by the Foundation. In recent years, the Foundation has chosen to make an employer contribution equivalent to 5% of a participant's salary. Employer contributions do not vest until an employee completes three years of service, at which time they become fully vested. Employer contributions amounted to approximately \$15,509 and \$11,252 for the years ended December 31, 2022 and 2021, respectively.

14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for pledges and grants receivable that are due in future years.

Cash and cash equivalents	\$ 887,185
Investments	5,479,303
Contributions receivable	14,725
Pledges and grants receivable, net	<u>15,000</u>
Financial assets at year end	6,396,213
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	(1,111,200)
Board-designated to maintain as endowment	(628,042)
Donor-restricted to maintain as endowment	<u>(3,796,420)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 860,551</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Although the Foundation does not intend to spend from board-designated endowment funds, those amounts could be made available if necessary.

As part of the Foundation's liquidity management, it invests cash in excess of operating requirements in a variety of short-term investments. At December 31, 2022, the Foundation had financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 287 days of average operating expenses.