

Free Library of Philadelphia Foundation and Subsidiary

Consolidated Financial Statements and
Supplementary Information

Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)





Independent Auditor's Report

To the Board of Directors
Free Library of Philadelphia Foundation and Subsidiary
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Free Library of Philadelphia Foundation and Subsidiary (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, and functional expenses for the year ended June 30, 2019, and statements of cash flows for the years ended June 30, 2019 and 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of The Rosenbach of the Free Library of Philadelphia (the Rosenbach) were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Free Library of Philadelphia Foundation and Subsidiary as of June 30, 2019 and 2018, and the changes in their net assets for the year ended June 30, 2019 and their cash flows for the years ended June 30, 2019 and 2018, in accordance with accounting principles generally accepted in the United States.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (consolidating statements of financial position, consolidating statements of activities, consolidating statements of functional expenses and consolidating statements of cash flows) is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2020, on our consideration of the Organization's (excluding the Rosenbach) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's (excluding the Rosenbach) internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Free Library of Philadelphia Foundation and Subsidiary's 2018 consolidated financial statements, and our report dated May 9, 2019, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Philadelphia, Pennsylvania
April 1, 2020

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>As of June 30, 2019 and 2018</i>	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,604,738	\$ 4,589,631
Grants and contributions receivable, net	14,175,062	17,398,246
Fines and other receivables	904,296	1,683,539
Inventory	81,495	83,440
Prepaid expenses	102,283	137,336
Property and equipment, net	3,693,488	3,759,009
Investments	36,898,680	37,001,566
Beneficial interest in life insurance	38,936	37,425
TOTAL ASSETS	59,498,978	64,690,192
LIABILITIES		
Line of credit	7,995,930	4,100,000
Accounts payable and accrued expenses	3,392,030	4,235,026
Accrued payroll and related liabilities	449,376	437,779
Split-interest liabilities	114,287	130,829
Total Liabilities	11,951,623	8,903,634
NET ASSETS		
Without donor restrictions	6,549,748	6,984,896
With donor restrictions	40,997,607	48,801,662
Total Net Assets	47,547,355	55,786,558
TOTAL LIABILITIES AND NET ASSETS	\$ 59,498,978	\$ 64,690,192

See accompanying notes to financial statements.

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

<i>Year Ended June 30, 2019</i>	Without Donor	With Donor	2019 Total	2018 Total
<i>With Comparative Totals for 2018</i>	Restrictions	Restrictions		
Operating support and revenue:				
Grants and contributions	\$ 2,856,104	\$ 7,739,278	\$ 10,595,382	\$ 9,391,369
Federal and state grants and city campaign	467,303	659,681	1,126,984	11,052,418
Contributions - Central Library Campaign	-	6,077,616	6,077,616	3,995,117
Fees and library services	550,754	345,215	895,969	489,834
Fines and lost books	147,812	-	147,812	148,978
Sale of books and publications	114,580	-	114,580	35,912
Program revenue	219,685	-	219,685	306,818
Admissions	23,225	-	23,225	32,379
Other income	569,204	42,168	611,372	516,659
Dividend and interest income	10,650	-	10,650	1,293
Long-term investment return designated for operations	281,819	1,468,904	1,750,723	1,711,970
Net assets released from restriction	24,297,386	(24,297,386)	-	-
Total Operating Support and Revenue	29,538,522	(7,964,524)	21,573,998	27,682,747
Operating expenses:				
Programs and library services				
Public programs	6,194,837	-	6,194,837	5,942,005
Collections and preservations	221,206	-	221,206	134,331
Technology	283,090	-	283,090	321,699
Facilities renovation	1,918,783	-	1,918,783	7,945,577
Central Library capital renovation project	16,554,606	-	16,554,606	11,389,868
Total Program Services	25,172,522	-	25,172,522	25,733,480
Supporting services				
Administration	1,862,296	-	1,862,296	2,027,162
Fundraising	2,893,489	-	2,893,489	2,543,384
Total Supporting Services	4,755,785	-	4,755,785	4,570,546
Total Operating Expenses	29,928,307	-	29,928,307	30,304,026
Change in net assets from operations	(389,785)	(7,964,524)	(8,354,309)	(2,621,279)
Non-operating support and gains (loss):				
Grants and contributions to endowment	-	321,859	321,859	190,245
Long-term investment return in excess of (less than) return designated for operations	(700)	(151,487)	(152,187)	940,849
Collection items purchased	(44,663)	(9,903)	(54,566)	(65,650)
Total Non-operating Support and Gains (Loss)	(45,363)	160,469	115,106	1,065,444
CHANGE IN NET ASSETS	(435,148)	(7,804,055)	(8,239,203)	(1,555,835)
NET ASSETS - BEGINNING OF YEAR	6,984,896	48,801,662	55,786,558	57,342,393
NET ASSETS - END OF YEAR	\$ 6,549,748	\$ 40,997,607	\$ 47,547,355	\$ 55,786,558

See accompanying notes to financial statements.

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019 With Comparative Totals for 2018	Programs and Library Services					Supporting Services				
	Public Programs	Collections and Preservation	Technology	Facilities Renovation	Capital Renovation Project	Subtotal	Administration	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 2,191,133	\$ 36,432	\$ -	\$ 636,579	\$ 1,006,794	\$ 3,870,938	\$ 1,203,768	\$ 1,292,273	\$ 6,366,979	\$ 5,488,745
Payroll taxes and benefits	441,884	-	-	143,663	244,833	830,380	277,335	339,266	1,446,981	1,229,787
Audit and legal fees	641	-	-	-	-	641	138,734	6,109	145,484	93,158
Advertising, printing and photography	216,137	-	-	107,147	7,312	330,596	5,536	373,577	709,709	725,218
Bank and credit card fees	35,845	36	313	-	523	36,717	17,452	37,051	91,220	98,111
Conferences and receptions	86,069	1,041	281	56,305	2,978	146,674	110,191	288,645	545,510	450,763
Depreciation	67,605	-	-	-	-	67,605	7,469	-	75,074	75,683
Dues and publications	45,992	-	235	5,434	935	52,596	39,160	11,689	103,445	87,345
Equipment	115,714	7,965	128,197	3,751	1,386,132	1,641,759	13,077	9,667	1,664,503	2,300,192
Exhibition installment materials	28,047	-	-	-	-	28,047	-	-	28,047	189,960
Indirect costs	350,237	2,421	-	137,359	60,767	550,784	(528,774)	-	22,010	17,289
Insurance	31,354	-	-	-	-	31,354	67,840	7,342	106,536	99,889
Interest expense	-	-	-	-	282,931	282,931	-	-	282,931	79,614
Library materials	109,339	157,473	1,469	24,138	948	293,367	3,754	34,403	331,524	685,163
Meals and entertainment	11,095	-	-	-	-	11,095	10,102	72,360	93,557	108,404
Other expenses	200,324	-	82,408	3,698	8,827	295,257	18,069	19,880	333,206	216,945
Professional and other services	1,020,483	9,594	39,950	578,410	13,462,933	15,111,370	236,404	71,880	15,419,654	16,244,636
Programs and exhibits	710,041	234	-	198,271	2,544	911,090	88,460	96,429	1,095,979	941,752
Repairs and maintenance	34,989	-	-	-	-	34,989	49,073	-	84,062	68,339
Supplies and software	311,438	6,010	22,305	7,643	13,454	360,850	31,213	22,339	414,402	730,665
Telephone and postage	58,927	-	7,763	10,790	72,218	149,698	47,457	193,230	390,385	176,677
Travel	37,550	-	169	5,595	477	43,791	20,185	12,385	76,361	118,418
Utilities	30,610	-	-	-	-	30,610	5,791	4,964	41,365	40,195
Volunteer services	59,383	-	-	-	-	59,383	-	-	59,383	37,078
Total	\$ 6,194,837	\$ 221,206	\$ 283,090	\$ 1,918,783	\$ 16,554,606	\$ 25,172,522	\$ 1,862,296	\$ 2,893,489	\$ 29,928,307	\$ 30,304,026

See accompanying notes to financial statements.

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years Ended June 30, 2019 and 2018</i>	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,239,203)	\$ (1,555,835)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	75,074	75,683
Net gain on investments	(308,101)	(311,588)
Increase in beneficial interest in life insurance	(1,511)	(1,491)
Recovery of doubtful accounts	(19,587)	-
(Increase) decrease in assets:		
Grants and contributions receivable	3,242,771	966,681
Fines and other receivables	779,243	(661,450)
Prepaid expenses	35,053	(6,191)
Inventory	1,945	17,343
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(842,996)	(6,210,993)
Accrued payroll and related liabilities	11,597	57,422
Split-interest liabilities	(16,542)	(6,582)
Total Adjustments	2,956,946	(6,081,166)
Net Cash Used in Operating Activities	(5,282,257)	(7,637,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,553)	(115,295)
Purchase of investments	(1,871,509)	(23,406,167)
Proceeds from sale of investments	2,282,496	22,779,622
Net Cash Provided by (Used in) Investing Activities	401,434	(741,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	3,895,930	4,100,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(984,893)	(4,278,841)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,589,631	8,868,472
CASH AND CASH EQUIVALENTS - END OF YEAR	3,604,738	4,589,631
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the years for:		
Interest	\$ 282,931	\$ 79,614

See accompanying notes to financial statements.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Organization

The Free Library of Philadelphia Foundation (the Foundation) raises funds from individuals, corporations, and foundations to create and incubate cutting-edge programs, to sustain and grow its collections, and to bolster the resources on which citizens depend.

The Rosenbach of the Free Library of Philadelphia (the Rosenbach), formerly the Rosenbach Museum and Library, is a Pennsylvania nonprofit corporation located in the former home of Dr. A.S.W. Rosenbach and his brother, Philip, international dealers in books, manuscripts, and fine art in the early twentieth century. The brothers' 1865 townhouse holds a collection of rare books and manuscripts, English and American furnishings, and fine and decorative arts. The Rosenbach acquired an adjacent residence in 1993 and enlarged its facilities to include that property in the museum and library.

The Rosenbach offers on-site public programs, exhibitions, guided tours, off-site lectures and readings, a full-service research library, publications, and a website.

The Foundation entered into an agreement dated June 19, 1984 with the Board of Trustees of the Free Library of Philadelphia, an independent board of the City of Philadelphia (City or City Library) responsible for securing and expending City appropriations. Under this agreement, the Board of Trustees of the Free Library of Philadelphia maintains care and custody of the collections of the Foundation and makes all necessary operational decisions as to the management of the libraries and the collections of the Foundation. These financial statements report only the assets, liabilities, net assets and changes in net assets of the Foundation and, accordingly, do not include any amounts applicable to the financial position or changes in net assets of the City Library.

Principles of Consolidation

The consolidated financial statements include the accounts of the Free Library of Philadelphia Foundation and The Rosenbach of the Free Library of Philadelphia, referred to collectively throughout the notes as the "Organization". All significant intercompany transactions and balances have been eliminated.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and report all significant assets and liabilities.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

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. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grant and Contributions Receivable

Unconditional promises to give are recorded at net realizable value if they are expected to be collected in one year and fair value (determined by the present value of estimated future cash flows) if expected to be collected in more than one year. Additionally, uncollected promises to give are recorded net of estimated allowances for uncollectible amounts. Conditional promises to give are not recorded as contribution revenue until the conditions associated with the promises are met.

Inventory

Inventories of publications and merchandise are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Land, buildings and improvements are recorded at cost of construction or acquisition, or at appraisal value for Rosenbach's land and building and improvements at date of acquisition. Acquisitions of property and equipment, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 25 years.

Investments

The Organization states investments in marketable equity and debt securities at fair value based on quoted market prices in active markets. Gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Split-Interest Liabilities

The Organization records assets, liabilities and revenue relating to gifts donated in the form of split-interest agreements for which it serves as trustee. The types of split-interest agreements include gift annuities. The assets received are recorded at their fair value at the time of receipt as restricted support in accordance with donor-imposed restrictions until a stipulated time restriction ends or specified condition is met. Liabilities represent the net present value of expected future payments of income earned or a fixed percentage of the assets owed to the beneficiaries designated by the donors on the basis of their estimated life expectancies. Contribution revenues are recognized at the amount of the difference of assets received and expected future payments. Over the term of the agreements, amortization of the discount on the liability and effects of changes in the life expectancy of the beneficiary are recorded as adjustments to the liability and amortization of discount and change in actuarial assumptions on split-interest agreements, included in contribution revenue. For the years ended June 30, 2019 and 2018, there was no contribution revenue recognized on these arrangements.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The Board of Directors may elect to designate such assets for specific purposes or to have them function as endowments. This designation may be removed at the Board's discretion. Board-designated net assets were \$2,124,983 and \$2,960,617 as of June 30, 2019 and 2018, respectively.

Net assets with donor restrictions: Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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, and reported in the statement of activities as net assets released from restrictions.

The statement of activities distinguishes changes in net assets from operations from other changes in net assets. Operating activity includes revenues and other support, including investment income generated from short-term investments, as well as long-term investment income designated for operations (see Note 5), and all expenses that are available to provide program services, and support the administrative functions of the Organization. Other changes in net assets include grants and contributions to endowment, as well as long-term investment return in excess of (or less than) the Organization's designated spending rate (see Note 5).

Support and Revenue

The Organization's revenue and other support consists of contributions from various individuals, corporations and foundations. The Organization also receives support from certain federal, state and local government agencies.

Contributions of cash and other assets, including unconditional promises to give, are recognized as revenues in the period the unconditional promise is given and are reported as contribution revenue without donor restriction unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributed Facilities and Services

The City provides the Foundation with facilities and certain administrative services without charge. The fair value of these contributions is not readily determinable and is not reported in the accompanying financial statements. The Rosenbach uses unpaid volunteers to lead tours through the museum and library and to perform research projects. The value of this contributed time is recorded as an expense based on hourly rates customarily paid for such services, with an equivalent amount recorded as revenue.

Functional Allocation of Expenses

The costs of program and supporting service activities have been presented on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses that are attributed to more than one program or supporting function have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits and payroll taxes, which are allocated based on a percentage of salary charged to departments. Telephone charges are allocated on headcount and indirect costs are charged based on amounts approved in the grant agreement.

Advertising and Promotion

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was approximately \$121,000 and \$184,000 for the years ended June 30, 2019 and 2018, respectively.

Tax Status

The Foundation and the Rosenbach have each obtained a favorable determination that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and each is classified as an organization that is other than a private foundation. Accordingly, no provision has been made for income taxes.

Management has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. Open periods subject to audit for federal purposes are generally the previous three years of tax returns filed.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* ("Update"). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofit organizations to report expenses by nature and function, and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The guidance in this Update is effective for Organization's year ended June 30, 2019. Management adopted the Update effective July 1, 2018. Adoption of the Update did not result in any reclassification or restatements to net assets or changes in net assets. The Update has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Organization's year ending June 30, 2020. The Organization is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a transaction is conditional. The amendments in this Update are effective for the Organization's year ending June 30, 2020. Early application of the amendments in this Update is permitted. The Organization is currently in the process of determining the impact of the new standard, and has not elected to early implement the amendments.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

<i>June 30,</i>	2019
Cash and cash equivalents	\$ 3,604,738
Grants and contributions receivable within one year	11,365,727
Fines and other receivables	904,296
Investments	36,898,680
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Financial assets before adjustments	52,773,441
Less: Grant funds received in advance	(150,000)
Less: Donor restricted funds included in cash, receivables and investments	(38,872,624)
Less: Board-designated endowment funds included in investments	(2,124,983)
Add: Approved draw from donor-restricted endowment for use in the next 12 months	672,176
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Total	\$ 12,298,010

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash to cover approximately six months of general expenditures. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures and to meet its liabilities and other obligations as they become due. In addition, the Organization maintains lines of credit with a bank (as described in Note 6) and is drawn upon during the year to manage cash flow.

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors as endowments. Income generated from donor-restricted endowments is generally for capital improvements and ongoing operating expenses of the Organization.

In addition, as of June 30, 2019, the Organization had \$2,124,983 in funds functioning as endowment by Board designation. If necessary, some of these funds could be made available for general expenditure with approval by the Board of Directors.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 3: Grants and Contributions Receivable

Grants and contributions receivable include unconditional promises to give and other amounts that are expected to be collected and are stated at realizable value or at the present value of estimated cash flows. Grants and contributions receivable consisted of the following:

<i>June 30,</i>	2019	2018
Receivable in less than one year	\$ 11,365,727	\$ 16,205,249
Receivable in one to four years	3,021,087	1,360,876
Total	14,386,814	17,566,125
Less: Allowance for uncollectible promises to give	(105,263)	(124,850)
Less: Present value discount (1% - 3%)	(106,489)	(43,029)
Grants and contributions receivable, net	\$ 14,175,062	\$ 17,398,246

The Foundation also has a revocable interest in a split-interest arrangement with an estimated value of \$1 million. However, because of the revocable nature of the Foundation's interest, it has not been recognized in the financial statements.

Additionally, the Organization has received conditional promises to give up to a value of approximately \$25,600,000 in connection with the Central Library Project (also see Note 15).

Note 4: Property and Equipment

<i>June 30,</i>	2019	2018
Land	\$ 2,200,000	\$ 2,200,000
Building and building improvements	1,735,000	1,735,000
Computer equipment	101,933	101,933
Furniture and equipment	445,341	435,788
Other equipment	129,643	129,643
Total property and equipment	4,611,917	4,602,364
Less: accumulated depreciation	(918,429)	(843,355)
Property and equipment, net	\$ 3,693,488	\$ 3,759,009

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 5: Investments

The fair value of the Organization's investments is as follows:

<i>June 30,</i>	2019	2018
Investments:		
Level 1		
Mutual Fund - Money Market	\$ 70,739	\$ 529,595
Mutual Fund - Equity	9,529,483	8,899,501
Mutual Fund - Fixed Income	3,006,231	2,838,293
Mutual Fund - Multi-Asset	12,792,135	13,114,428
Equity Securities	5,707,128	5,800,696
	31,105,716	31,182,513
Level 2		
U.S. government agency securities and corporate bonds	5,792,964	5,819,053
	\$ 36,898,680	\$ 37,001,566
Total	\$ 36,898,680	\$ 37,001,566

The fair value of mutual funds and equity securities are based on quoted market prices in active markets. (Level 1 inputs).

The fair value of U.S. government agency securities and corporate bonds are estimated using rates currently offered for bonds of similar remaining maturities (Level 2 inputs).

The investments of the Organization include permanent endowments, funds established by the Board of Directors to function as endowments, and other balances. Investment returns related to assets of permanent endowments are classified as with or without donor restrictions depending on donor stipulations.

The investments are managed on a total return basis to provide both income and capital appreciation. Under the Organization's spending policy, a spending rate is assessed against endowments that support activities with and without restrictions, consistent with an annual budget approved by the Board of Directors. The spending rate policy allows the expenditure of a prudent amount of the total investment return over a period of time that preserves the future purchasing power of endowment principal. A spending rate of 5% of the average fair value of the investments over the preceding twelve quarters through March 31, 2018 was appropriated to support current library operations and administration of various library projects for the year ended June 30, 2019.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 5: Investments (Continued)

The following schedule summarizes the investment return for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest	\$ 314,055	\$ 976,380	\$ 1,290,435
Net realized and unrealized gains (losses)	(32,936)	341,037	308,101
Total investment return	281,119	1,317,417	1,598,536
Less: Long-term investment return designated for operations and administration	281,819	1,468,904	1,750,723
Long-term investment return in excess of (less than) return designated for operations	\$ (700)	(151,487)	(152,187)

Total investment return is net of fees of approximately \$116,000 for the year ended June 30, 2019.

Note 6: Debt

Line of Credit

During November 2017, a non-revolving line of credit in the amount of \$11.1 million dollars was established with PNC Bank. The rate on the line is Libor plus 2.25%. The line was established for the purpose of compensating for delayed cash flow from various grants, related to the 21st Century Capital Project. The balance outstanding at June 30, 2019 was \$995,930. During June 2019, the available line was reduced to \$2.0 million; the line expires on February 17, 2020. This line of credit was subsequently paid-off on February 5, 2020.

During September 2018, a non-revolving line of credit in the amount of \$8.5 million dollars was established with PNC Bank. The rate on the line is Libor plus 2.00%. The line was established for the purpose of compensating for delayed cash flow from various grants, related to the 21st Century Capital Project. The line expires on September 11, 2023. The balance outstanding at June 30, 2019 was \$3.0 million. Also during September 2018, an additional line of credit in the amount of \$6.5 million was established with PNC Bank. The rate on the line is Libor plus 2.00%. The balance outstanding at June 30, 2019 was \$4.0 million; the line expires on September 11, 2020.

Note 7: Retirement Plan

The Organization has established a tax deferred retirement plan under Section 403(b) of the Internal Revenue Code for its employees. All employees, other than employees who normally work less than 20 hours per week, are eligible for participation in the plan. The Organization will match employee contributions up to a maximum of 4.5% of the participant's compensation for all employees who have completed one year of service. For the fiscal years ended June 30, 2019 and 2018, pension expense was \$143,467 and \$134,862, respectively.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 8: Collections

The Foundation owns and maintains collections of rare books, manuscripts, maps, paintings, prints, music, etc., most of which have been acquired through individual gifts and bequests. The Rosenbach contributed collection items include rare books, manuscripts, fine and decorative arts and period furnishings. A fine arts insurance policy with coverage up to \$13,000,000 is carried on the collections. In the opinion of management, this represents only a fraction of the present fair value of the items, many of which are irreplaceable. The Organization has not assigned a value to the collections for accounting purposes, since it is not practical to determine the cost, the fair value at date of acquisition or the net realizable value of these collections.

Note 9: Net Assets with Donor Restriction

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	2019	2018
Subject to expenditure for specified purpose:		
The Foundation		
Branch and other program services	\$ 4,286,198	\$ 4,659,910
Technology	338,292	242,178
Collection and preservation	1,915,239	1,833,744
Central Library and 21st Century Libraries	2,084,902	10,340,964
The Rosenbach		
Projects and exhibitions	359,971	279,229
Operations	636,200	191,813
Transition fund	-	36,190
	<u>9,620,802</u>	<u>17,584,028</u>
Endowments:		
Income earned on endowments subject to appropriation		
Branch and other program services	8,130,558	7,767,852
Technology	1,262,779	1,283,679
Collection and preservation	4,608,400	4,498,524
Central Library and 21st Century Libraries	73,236	375,708
RML operations	217,113	208,152
Permanent funds subject to endowment spending policy and appropriation		
The Foundation	9,443,708	9,443,708
The Rosenbach	7,641,011	7,640,011
	<u>31,376,805</u>	<u>31,217,634</u>
Net assets with donor restrictions	<u>\$ 40,997,607</u>	<u>\$ 48,801,662</u>

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Endowment Funds

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. As of June 30, 2019, Pennsylvania has not adopted UPMIFA.

The endowment of the Foundation consists of 69 funds established by donors for various purposes. The endowment of the Rosenbach consists of 24 funds established by donors for various purposes. As required by United States generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted Pennsylvania law for investment of trust funds (PA Law) as requiring the preservation of the fair 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 Organization 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 that is not classified as permanent funds represents income or losses on endowment funds subject to appropriation or expenditure in a manner consistent with the standard of prudence prescribed by PA Law.

In accordance with PA Law, the Organization 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 Organization 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 Organization
7. the investment policies of the Organization

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Endowment Funds (Continued)

The composition of the endowment net assets by type of fund at June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,124,983	\$ -	\$ 2,124,983
Donor-restricted endowment funds:			
Original donor-restricted gifts	-	17,084,719	17,084,719
Income on donor-restricted gifts available for appropriation	-	13,373,217	13,373,217
Total Funds	\$ 2,124,983	\$ 30,457,936	\$ 32,582,919

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,960,617	\$ 30,119,676	\$ 33,080,293
Contributions	-	397,860	397,860
Investment income	182,853	1,037,540	1,220,393
Net realized and unrealized gains (losses)	(40,730)	310,253	269,523
Amounts appropriated for expenditure	(977,757)	(1,407,393)	(2,385,150)
Endowment net assets, end of year	\$ 2,124,983	\$ 30,457,936	\$ 32,582,919

The composition of endowment net assets by type of fund at June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,960,617	\$ -	\$ 2,960,617
Donor-restricted endowment funds:			
Original donor-restricted gifts	-	17,083,719	17,083,719
Income on donor-restricted gifts available for appropriation	-	13,035,957	13,035,957
Total Funds	\$ 2,960,617	\$ 30,119,676	\$ 33,080,293

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Endowment Funds (Continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,620,644	\$ 28,950,511	\$ 31,571,155
Contributions	255,000	411,838	666,838
Investment income	361,284	1,718,948	2,080,232
Net realized and unrealized gains (losses)	(62,841)	409,450	346,609
Amounts appropriated for expenditure	(213,470)	(1,371,071)	(1,584,541)
Endowment net assets, end of year	\$ 2,960,617	\$ 30,119,676	\$ 33,080,293

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PA Law requires the Organization to retain as a fund of perpetual duration (underwater endowments). The Organization has interpreted the law to permit spending from underwater endowments in accordance with prudent measures required under law.

Deficiencies result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors. There were no deficiencies of this nature as of June 30, 2019 and 2018.

Return Objectives and Risk Parameters

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor specified period as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the rate of general price inflation (Consumer Price Index) by 5%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization 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 Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Endowment Funds (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior twelve quarters through March 31 of the fiscal year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average rate equal to the rate of inflation (Consumer Price Index). This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Note 11: Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments made with financial institutions.

The Organization maintains its cash balances in two financial institutions located in Philadelphia, Pennsylvania. As of June 30, 2019, the uninsured balance was approximately \$3,400,000. The Organization has not experienced any losses in such financial instruments. Management believes that the Organization is not exposed to any significant credit risk related to financial instruments.

Note 12: Other Related Party Transactions

The Foundation and the City Library have some board members in common. Fine income and related receivables are received from and due from, respectively, the City Library.

Note 13: Commitments and Contingencies

City Lease

There is a lease development agreement between the Philadelphia Authority Industrial Development (PAID) (on behalf of the City) and the Foundation in connection with the Foundation's management of the Central Library Capital Renovation Project. Rent under terms of the agreement is stated at \$1. The terms of the agreement stipulate that the Foundation will pay as additional rent any and all sums which may become due under the lease or by reason of the failure of the Foundation to comply with the terms of the lease.

Other

The Foundation, as part of the ongoing restoration and expansion of the Parkway Central Library and the 21st Century Project, has construction contracts of approximately \$53,000,000 of which approximately \$48,600,000 was expended as of June 30, 2019.

During July 2013, the Foundation entered into a ten-year facility lease expiring in 2023. Lease expense was \$305,061 and \$297,621 for the years ended June 30, 2019 and 2018, respectively.

Free Library of Philadelphia Foundation and Subsidiary

Notes to Consolidated Financial Statements

Note 13: Commitments and Contingencies (Continued)

Total future minimum lease commitments as of June 30, 2019 are as follows:

<i>Year Ending June 30,</i>	<i>Amount</i>
2020	\$ 312,688
2021	320,505
2022	328,518
2023	336,730
Total	\$ 1,298,441

Note 14: Grant Compliance

The use of contract and grant monies received is subject to the various compliance requirements of each granting agency. Management believes the Organization is in compliance with all significant contract and grant requirements. Additionally, grants received are subject to audit and adjustment by grantor agencies. Any disallowed expenditures, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenses, if any, which may be disallowed by a grantor cannot be determined at this time, although the Organization expects any such amounts to be immaterial.

Note 15: Operational Matters

In fiscal year 2003, the Foundation began a major capital campaign for the purpose of expanding and renovating the Parkway Central Library. The ultimate goal of that campaign was to raise approximately \$175,000,000 which included \$10,000,000 to increase the programming endowment for the Library. During fiscal year 2012, the Foundation expanded the campaign to include the entire branch system and increase the size of the contribution towards the endowment. The total Building Inspiration Campaign is now \$240,000,000 and is as follows: \$185,000,000 for the restoration and expansion of the Parkway Central Library (of which \$112,300,000 was raised prior to fiscal year 2019), \$30,000,000 to grow the endowment for Free Library programs; \$15,000,000 for neighborhood library upgrades and \$10,000,000 for unrestricted support.

During the fiscal year 2019, the Foundation recorded \$6,077,616 in contributions related to the Central Library Capital Renovation Project. Included in grants and contributions receivable (net of discounts and allowances) at June 30, 2019 is \$10,619,222 related to the Project. Expenses incurred in connection with the Project during fiscal year 2019 were \$16,554,606, including fundraising costs of \$1,196,573.

In December 2004, City Council of the City of Philadelphia approved an ordinance authorizing the City to issue up to \$30 million in bonds. Certain conditions must be met before \$20 million of the funds are released to the Foundation for construction of the Project.

Note 16: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 1, 2020, the date the financial statements were available to be issued.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Free Library of Philadelphia Foundation and Subsidiary
Philadelphia, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Free Library of Philadelphia Foundation and Subsidiary (the "Organization"), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2020. The financial statements of The Rosenbach of the Free Library of Philadelphia (the Rosenbach) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Rosenbach.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Wipfli LLP".

Philadelphia, Pennsylvania
April 1, 2020

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

<i>As of June 30, 2019</i>	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Eliminations	Consolidated Totals
ASSETS				
Cash and cash equivalents	\$ 2,798,199	\$ 806,539	\$ -	\$ 3,604,738
Grants and contributions receivable, net	13,474,979	700,083	-	14,175,062
Fines and other receivables	878,818	25,478	-	904,296
Inventory	-	81,495	-	81,495
Prepaid expenses	91,188	11,095	-	102,283
Property and equipment, net	1,302	3,692,186	-	3,693,488
Investments	28,091,289	8,807,391	-	36,898,680
Beneficial interest in life insurance	38,936	-	-	38,936
Due from related party	771,723	-	(771,723)	-
TOTAL ASSETS	\$ 46,146,434	\$ 14,124,267	\$ (771,723)	\$ 59,498,978
LIABILITIES				
Line of credit	\$ 7,995,930	\$ -	\$ -	\$ 7,995,930
Accounts payable and accrued expenses	3,359,542	32,488	-	3,392,030
Accrued payroll and related liabilities	358,500	90,876	-	449,376
Split-interest liabilities	114,287	-	-	114,287
Due to related party	-	771,723	(771,723)	-
Total Liabilities	11,828,259	895,087	(771,723)	11,951,623
NET ASSETS				
Without donor restrictions	2,174,863	4,374,885	-	6,549,748
With donor restrictions	32,143,312	8,854,295	-	40,997,607
Total Net Assets	34,318,175	13,229,180	-	47,547,355
TOTAL LIABILITIES AND NET ASSETS	\$ 46,146,434	\$ 14,124,267	\$ (771,723)	\$ 59,498,978

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

<i>As of June 30, 2018</i>	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Eliminations	Consolidated Totals
ASSETS				
Cash and cash equivalents	\$ 3,838,028	\$ 751,603	\$ -	\$ 4,589,631
Grants and contributions receivable, net	17,082,919	315,327	-	17,398,246
Fines and other receivables	1,604,885	78,654	-	1,683,539
Inventory	-	83,440	-	83,440
Prepaid expenses	121,624	15,712	-	137,336
Property and equipment, net	-	3,759,009	-	3,759,009
Investments	28,167,955	8,833,611	-	37,001,566
Beneficial interest in life insurance	37,425	-	-	37,425
Due from related party	530,642	-	(530,642)	-
TOTAL ASSETS	\$ 51,383,478	\$ 13,837,356	\$ (530,642)	\$ 64,690,192
LIABILITIES				
Line of credit	\$ 4,100,000	\$ -	\$ -	\$ 4,100,000
Accounts payable and accrued expenses	4,188,868	46,158	-	4,235,026
Accrued payroll and related liabilities	362,049	75,730	-	437,779
Split-interest liabilities	130,829	-	-	130,829
Due to related party	-	530,642	(530,642)	-
Total Liabilities	8,781,746	652,530	(530,642)	8,903,634
NET ASSETS				
Without donor restrictions	2,155,465	4,829,431	-	6,984,896
With donor restrictions	40,446,267	8,355,395	-	48,801,662
Total Net Assets	42,601,732	13,184,826	-	55,786,558
TOTAL LIABILITIES AND NET ASSETS	\$ 51,383,478	\$ 13,837,356	\$ (530,642)	\$ 64,690,192

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	Consolidated Total
	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Consolidated Total
Operating support and revenue:							
Grants and contributions	\$ 2,480,621	\$ 375,483	\$ 2,856,104	\$ 7,011,141	\$ 728,137	\$ 7,739,278	\$ 10,595,382
Federal and state grants and city capital	435,213	32,090	467,303	598,662	61,019	659,681	1,126,984
Contributions - Central Library Campaign	-	-	-	6,077,616	-	6,077,616	6,077,616
Fees and library services	550,754	-	550,754	345,215	-	345,215	895,969
Fines and lost books	147,812	-	147,812	-	-	-	147,812
Sale of books and publications	105,567	9,013	114,580	-	-	-	114,580
Program revenue	-	219,685	219,685	-	-	-	219,685
Admissions	-	23,225	23,225	-	-	-	23,225
Other income	491,436	77,768	569,204	41,400	768	42,168	611,372
Dividend and interest income	10,643	7	10,650	-	-	-	10,650
Long-term investment return designated for operations	281,819	-	281,819	1,006,515	462,389	1,468,904	1,750,723
Net assets released from restriction	23,539,261	758,125	24,297,386	(23,539,261)	(758,125)	(24,297,386)	-
Total Operating Support and Revenue	28,043,126	1,495,396	29,538,522	(8,458,712)	494,188	(7,964,524)	21,573,998
Operating expenses:							
Programs and library services							
Public programs	5,123,510	1,071,327	6,194,837	-	-	-	6,194,837
Collections and preservation	221,206	-	221,206	-	-	-	221,206
Technology	283,090	-	283,090	-	-	-	283,090
Facilities renovation	1,918,783	-	1,918,783	-	-	-	1,918,783
Central Library capital renovation project	16,554,606	-	16,554,606	-	-	-	16,554,606
Total Program Services	24,101,195	1,071,327	25,172,522	-	-	-	25,172,522

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)

Year Ended June 30, 2019

	The Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	The Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	Consolidated Total
	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Consolidated Total
Supporting services							
Administration	1,534,200	328,096	1,862,296	-	-	-	1,862,296
Fundraising	2,366,321	527,168	2,893,489	-	-	-	2,893,489
Total Supporting Services	3,900,521	855,264	4,755,785	-	-	-	4,755,785
Total Operating Expenses	28,001,716	1,926,591	29,928,307	-	-	-	29,928,307
Change in net assets from operations	41,410	(431,195)	(389,785)	(8,458,712)	494,188	(7,964,524)	(8,354,309)
Non-operating support and gains (losses):							
Grants and contributions to endowment	-	-	-	321,859	-	321,859	321,859
Long-term investment return in excess of (less than) return designated for operations	(22,012)	21,312	(700)	(166,102)	14,615	(151,487)	(152,187)
Collection items purchased	-	(44,663)	(44,663)	-	(9,903)	(9,903)	(54,566)
Total Non-operating Support and Gains (Losses)	(22,012)	(23,351)	(45,363)	155,757	4,712	160,469	115,106
CHANGE IN NET ASSETS	19,398	(454,546)	(435,148)	(8,302,955)	498,900	(7,804,055)	(8,239,203)
NET ASSETS - BEGINNING OF YEAR	2,155,465	4,829,431	6,984,896	40,446,267	8,355,395	48,801,662	55,786,558
NET ASSETS - END OF YEAR	\$ 2,174,863	\$ 4,374,885	\$ 6,549,748	\$ 32,143,312	\$ 8,854,295	\$ 40,997,607	\$ 47,547,355

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

		The Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total Without Donor Restrictions	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total With Donor Restrictions	Consolidated Total
Operating support and revenue:								
Grants and contributions	\$ 2,263,236	\$ 337,535	\$ 2,600,771	\$ 6,560,336	\$ 230,262	\$ 6,790,598	\$ 9,391,369	
Federal and state grants and city capital	691,131	-	691,131	10,279,087	82,200	10,361,287	11,052,418	
Contributions - Central Library Campaign	-	-	-	3,995,117	-	3,995,117	3,995,117	
Fees and library services	450,770	-	450,770	39,064	-	39,064	489,834	
Fines and lost books	148,978	-	148,978	-	-	-	148,978	
Sale of books and publications	15,991	19,921	35,912	-	-	-	35,912	
Program revenue	-	306,818	306,818	-	-	-	306,818	
Admissions	-	32,379	32,379	-	-	-	32,379	
Other income	454,721	49,299	504,020	11,713	926	12,639	516,659	
Dividend and interest income	1,285	8	1,293	-	-	-	1,293	
Long-term investment return designated for operations	277,065	-	277,065	981,795	453,110	1,434,905	1,711,970	
Net assets released from restriction	23,477,920	1,138,843	24,616,763	(23,477,920)	(1,138,843)	(24,616,763)	-	
Total Operating Support and Revenue	27,781,097	1,884,803	29,665,900	(1,610,808)	(372,345)	(1,983,153)	27,682,747	
Operating expenses:								
Programs and library services								
Public programs	4,700,505	1,241,500	5,942,005	-	-	-	5,942,005	
Collections and preservation	134,331	-	134,331	-	-	-	134,331	
Technology	321,699	-	321,699	-	-	-	321,699	
Facilities renovation	7,945,577	-	7,945,577	-	-	-	7,945,577	
Central Library capital renovation project	11,389,868	-	11,389,868	-	-	-	11,389,868	
Total Program Services	24,491,980	1,241,500	25,733,480	-	-	-	25,733,480	

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)

Year Ended June 30, 2018

	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Total	Consolidated Total
	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Consolidated Total
Supporting services							
Administration	1,739,797	287,365	2,027,162	-	-	-	2,027,162
Fundraising	2,046,478	496,906	2,543,384	-	-	-	2,543,384
Total Supporting Services	3,786,275	784,271	4,570,546	-	-	-	4,570,546
Total Operating Expenses	28,278,255	2,025,771	30,304,026	-	-	-	30,304,026
Change in net assets from operations	(497,158)	(140,968)	(638,126)	(1,610,808)	(372,345)	(1,983,153)	(2,621,279)
Non-operating support and gains (losses):							
Grants and contributions to endowment	-	-	-	190,245	-	190,245	190,245
Long-term investment return in excess of return designated for operations	229,733	48,748	278,481	298,873	363,495	662,368	940,849
Collection items purchased	-	(53,735)	(53,735)	-	(11,915)	(11,915)	(65,650)
Total Non-operating Support and Gains (Losses)	229,733	(4,987)	224,746	489,118	351,580	840,698	1,065,444
CHANGE IN NET ASSETS	(267,425)	(145,955)	(413,380)	(1,121,690)	(20,765)	(1,142,455)	(1,555,835)
NET ASSETS - BEGINNING OF YEAR	2,422,890	4,975,386	7,398,276	41,567,957	8,376,160	49,944,117	57,342,393
NET ASSETS - END OF YEAR	\$ 2,155,465	\$ 4,829,431	\$ 6,984,896	\$ 40,446,267	\$ 8,355,395	\$ 48,801,662	\$ 55,786,558

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Free Library of Philadelphia Foundation						Rosenbach of the Free Library of Philadelphia		Free Library of Philadelphia Foundation		The Rosenbach of the Free Library of Philadelphia		Free Library of Philadelphia Foundation		Rosenbach of the Free Library of Philadelphia		Total
	Programs and Library Services						Supporting Services						Subtotal	Total			
	Public Programs	Collections and Preservation	Technology	Facilities Renovation	Capital Renovation Project	Program	Subtotal	Administration	Administration	Subtotal	Fundraising	Fundraising			Subtotal		
Salaries and wages	\$1,737,975	\$ 36,432	\$ -	\$ 636,579	\$ 1,006,794	\$ 453,158	\$ 3,870,938	\$ 1,032,874	\$ 170,894	\$ 1,203,768	\$ 996,092	\$ 296,181	\$ 1,292,273	\$ 6,366,979			
Payroll taxes and benefits	314,080	-	-	143,663	244,833	127,804	830,380	239,454	37,881	277,335	244,200	95,066	339,266	1,446,981			
Audit and legal fees	641	-	-	-	-	-	641	122,734	16,000	138,734	6,109	-	6,109	145,484			
Advertising, printing and photography	189,331	-	-	107,147	7,312	26,806	330,596	5,246	290	5,536	361,371	12,206	373,577	709,709			
Bank and credit card fees	35,625	36	313	-	523	220	36,717	17,312	140	17,452	28,949	8,102	37,051	91,220			
Conferences and receptions	84,417	1,041	281	56,305	2,978	1,652	146,674	108,958	1,233	110,191	288,313	332	288,645	545,510			
Depreciation	-	-	-	-	-	-	67,605	-	7,469	7,469	-	-	-	75,074			
Dues and publications	40,504	-	235	5,434	935	5,488	52,596	35,133	4,027	39,160	10,626	1,063	11,689	103,445			
Equipment	106,860	7,965	128,197	3,751	1,386,132	8,854	1,641,759	10,234	2,843	13,077	9,667	-	9,667	1,664,503			
Exhibition installation materials	-	-	-	-	-	-	28,047	-	-	-	-	-	-	28,047			
Indirect costs	334,900	2,421	-	137,359	60,767	15,337	550,784	(513,437)	(15,337)	(528,774)	-	-	-	22,010			
Insurance	1,501	-	-	-	-	29,853	31,354	58,490	9,350	67,840	3,002	4,340	7,342	106,536			
Interest expense	-	-	-	-	282,931	-	282,931	-	-	-	-	-	-	282,931			
Library materials	109,260	157,473	1,469	24,138	948	79	293,367	3,754	-	3,754	34,403	-	34,403	331,524			
Meals and entertainment	-	-	-	-	-	11,095	11,095	-	10,102	10,102	-	72,360	72,360	93,557			
Other expenses	191,299	-	82,408	3,698	8,827	9,025	295,257	18,069	-	18,069	19,832	48	19,880	333,206			
Professional and other services	873,784	9,594	39,950	578,410	13,462,933	146,699	15,111,370	235,829	575	236,404	55,899	15,981	71,880	15,419,654			
Programs and exhibits	705,972	234	-	198,271	2,544	4,069	911,090	88,460	-	88,460	96,429	-	96,429	1,095,979			
Repairs and maintenance	-	-	-	-	-	34,989	34,989	-	49,073	49,073	-	-	-	84,062			
Supplies and software	308,750	6,010	22,305	7,643	13,454	2,688	360,850	21,840	9,373	31,213	17,961	4,378	22,339	414,402			
Telephone and postage	56,248	-	7,763	10,790	72,218	2,679	149,698	32,587	14,870	47,457	188,352	4,878	193,230	390,385			
Travel	32,363	-	169	5,595	477	5,187	43,791	16,663	3,522	20,185	5,116	7,269	12,385	76,361			
Utilities	-	-	-	-	-	30,610	30,610	-	5,791	5,791	-	4,964	4,964	41,365			
Volunteer services	-	-	-	-	-	59,383	59,383	-	-	-	-	-	-	59,383			
TOTAL	\$5,123,510	\$ 221,206	\$ 283,090	\$ 1,918,783	\$ 16,554,606	\$ 1,071,327	\$ 25,172,522	\$ 1,534,200	\$ 328,096	\$ 1,862,296	\$ 2,366,321	\$ 527,168	\$ 2,893,489	\$ 29,928,307			

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Free Library of Philadelphia Foundation					The Rosenbach of the Free Library of Philadelphia	Free Library of Philadelphia Foundation		The Rosenbach of the Free Library of Philadelphia	Free Library of Philadelphia Foundation		Rosenbach of the Free Library of Philadelphia		
	Programs and Library Services					Program	Subtotal	Administration	Administration	Subtotal	Fundraising	Fundraising	Subtotal	Total
	Public Programs	Collections and Preservation	Technology	Facilities Renovation	Capital Renovation Project									
Salaries and wages	\$1,539,163	\$ 9,599	\$ -	\$ 559,182	\$ 704,331	\$ 424,581	\$ 3,236,856	\$ 951,035	\$ 135,020	\$ 1,086,055	\$ 891,056	\$ 274,778	\$ 1,165,834	\$ 5,488,745
Payroll taxes and benefits	277,441	-	-	123,760	170,624	118,015	689,840	212,472	36,565	249,037	209,129	81,781	290,910	1,229,787
Audit and legal fees	12,509	-	-	-	-	-	12,509	61,999	18,650	80,649	-	-	-	93,158
Advertising, printing and photography	226,038	-	-	55,272	37,509	89,379	408,198	15,468	12,985	28,453	274,781	13,786	288,567	725,218
Bank and credit card fees	46,404	36	154	-	1,176	340	48,110	16,218	181	16,399	24,521	9,081	33,602	98,111
Conferences and receptions	93,914	388	3,393	45,568	51,614	1,491	196,368	88,826	7,250	96,076	156,533	1,786	158,319	450,763
Depreciation	-	-	-	-	-	68,164	68,164	-	7,519	7,519	-	-	-	75,683
Dues and publications	9,620	75	633	11,434	225	23,593	45,580	30,753	2,902	33,655	7,035	1,075	8,110	87,345
Equipment	412,608	656	65,127	1,422,665	373,387	4,882	2,279,325	12,240	2,621	14,861	6,006	-	6,006	2,300,192
Exhibition installation materials	-	-	-	-	-	189,960	189,960	-	-	-	-	-	-	189,960
Indirect costs	297,670	1,943	-	84,169	129,818	34,947	548,547	(496,309)	(34,949)	(531,258)	-	-	-	17,289
Insurance	1,994	-	-	-	-	29,366	31,360	51,229	9,075	60,304	3,988	4,237	8,225	99,889
Interest expense	-	-	-	-	79,614	-	79,614	-	-	-	-	-	-	79,614
Library materials	173,336	103,168	12,119	335,549	12,538	134	636,844	18,043	242	18,285	30,034	-	30,034	685,163
Meals and entertainment	-	-	-	-	-	10,299	10,299	-	9,507	9,507	-	88,598	88,598	108,404
Other expenses	56,856	6,359	61,947	3,466	29,203	24,708	182,539	9,534	325	9,859	24,307	240	24,547	216,945
Professional and other services	630,063	1,572	83,592	5,096,632	9,764,601	79,363	15,655,823	361,322	19,253	380,575	207,813	425	208,238	16,244,636
Programs and exhibits	619,747	1,164	-	154,291	3,781	15,314	794,297	45,521	-	45,521	100,614	1,320	101,934	941,752
Repairs and maintenance	-	-	-	-	-	35,448	35,448	-	32,891	32,891	-	-	-	68,339
Supplies and software	233,219	9,371	87,102	44,508	3,169	5,575	382,944	309,975	5,964	315,939	26,883	4,899	31,782	730,665
Telephone and postage	24,319	-	7,554	1,306	17,973	6,227	57,379	28,497	13,013	41,510	72,663	5,125	77,788	176,677
Travel	45,604	-	78	7,775	10,305	12,892	76,654	22,974	2,724	25,698	11,115	4,951	16,066	118,418
Utilities	-	-	-	-	-	29,744	29,744	-	5,627	5,627	-	4,824	4,824	40,195
Volunteer services	-	-	-	-	-	37,078	37,078	-	-	-	-	-	-	37,078
TOTAL	\$4,700,505	\$ 134,331	\$ 321,699	\$ 7,945,577	\$ 11,389,868	\$ 1,241,500	\$ 25,733,480	\$ 1,739,797	\$ 287,365	\$ 2,027,162	\$ 2,046,478	\$ 496,906	\$ 2,543,384	\$ 30,304,026

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (8,283,557)	\$ 44,354	\$ -	\$ (8,239,203)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	-	75,074	-	75,074
Net (gain) loss on investments	67,502	(375,603)	-	(308,101)
Increase in beneficial interest in life insurance	(1,511)	-	-	(1,511)
Recovery of doubtful accounts	(19,587)	-	-	(19,587)
(Increase) decrease in assets:				
Grants and contributions receivable	3,627,527	(384,756)	-	3,242,771
Fines and other receivables	726,067	53,176	-	779,243
Prepaid expenses	30,436	4,617	-	35,053
Inventory	-	1,945	-	1,945
Due to related party	(241,081)	-	241,081	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(829,326)	(13,670)	-	(842,996)
Accrued payroll and related liabilities	(3,549)	15,146	-	11,597
Split-interest liabilities	(16,542)	-	-	(16,542)
Due to related party	-	241,081	(241,081)	-
Total Adjustments	3,339,936	(382,990)	-	2,956,946
Net Cash Used in Operating Activities	(4,943,621)	(338,636)	-	(5,282,257)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,302)	(8,251)	-	(9,553)
Purchase of investments	(1,346,972)	(524,537)	-	(1,871,509)
Proceeds from sale of investments	1,356,136	926,360	-	2,282,496
Net Cash Provided by Investing Activities	7,862	393,572	-	401,434
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings on line of credit	3,895,930	-	-	3,895,930
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,039,829)	54,936	-	(984,893)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,838,028	751,603	-	4,589,631
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,798,199	\$ 806,539	\$ -	\$ 3,604,738
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest	\$ 282,931	\$ -	\$ -	\$ 282,931

Free Library of Philadelphia Foundation and Subsidiary

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Free Library of Philadelphia Foundation	The Rosenbach of the Free Library of Philadelphia	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (1,389,115)	\$ (166,720)	\$ -	\$ (1,555,835)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	-	75,683	-	75,683
Net gain on investments	402,960	(714,548)	-	(311,588)
Increase in beneficial interest in life insurance	(1,491)	-	-	(1,491)
(Increase) decrease in assets:				
Grants and contributions receivable	634,417	332,264	-	966,681
Fines and other receivables	(602,069)	(59,381)	-	(661,450)
Prepaid expenses	(2,305)	(3,886)	-	(6,191)
Inventory	-	17,343	-	17,343
Due to related party	69,203	-	(69,203)	-
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(6,164,240)	(46,753)	-	(6,210,993)
Accrued payroll and related liabilities	46,555	10,867	-	57,422
Split-interest liabilities	(6,582)	-	-	(6,582)
Due to related party	-	(69,203)	69,203	-
Total Adjustments	(5,623,552)	(457,614)	-	(6,081,166)
Net Cash Used in Operating Activities	(7,012,667)	(624,334)	-	(7,637,001)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	-	(115,295)	-	(115,295)
Purchase of investments	(20,155,071)	(3,251,096)	-	(23,406,167)
Proceeds from sale of investments	19,224,675	3,554,947	-	22,779,622
Net Cash Provided by (Used in) Investing Activities	(930,396)	188,556	-	(741,840)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings on line of credit	4,100,000	-	-	4,100,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,843,063)	(435,778)	-	(4,278,841)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,681,091	1,187,381	-	8,868,472
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,838,028	\$ 751,603	\$ -	\$ 4,589,631
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest	\$ 79,614	\$ -	\$ -	\$ 79,614