

Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library

Independent Auditor's Report and Financial Statements

December 31, 2016



Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
December 31, 2016

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Independent Auditor's Report

Board of Directors
Fayetteville Public Library Foundation
Fayetteville, Arkansas

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fayetteville Public Library Foundation, a component unit of the Fayetteville Public Library, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Fayetteville Public Library Foundation as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and the major fund in our report dated June 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Rogers, Arkansas
June 7, 2017

Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
Management's Discussion and Analysis
December 31, 2016

As management of the Fayetteville Public Library Foundation (the Foundation), we offer readers of the Foundation's financial statements this narrative overview and analysis of the financial activities of the Foundation for the fiscal year ended December 31, 2016.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The assets of the Foundation exceeded its liabilities at the close of the most recent fiscal year by \$9,812,766 (net position). Of this amount, \$4,221,636 (unrestricted net position) may be used for the Foundation's ongoing mission and obligations.
- At December 31, 2016, unassigned fund balance was \$2,221,636 or 699% of the total fund expenditures for the current fiscal year. The Foundation contribution revenues decreased 32% to \$183,084 in 2016 as compared to 2015 and Library contributions increased 31% to \$180,088 in 2016 as compared to 2015.
- Investment income increased by \$630,179 or 805% during 2016 as compared to 2015, due to investment gain in 2016. This increase is due in part to an overall increase in market performance in 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. The Foundation's basic financial statements comprise three components: 1) government-wide financial statements (statement of net position and statement of activities), 2) governmental fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Foundation's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Foundation's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Foundation is improving or deteriorating.

The *statement of activities* presents information showing how the Foundation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The adjustment column of the financial statements represents adjustments necessary to convert the governmental fund financial statements to the government-wide financial statements under the full accrual method of accounting. The adjustments columns provide reconciliations to facilitate the comparison between the governmental fund and government-wide financial statements.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Foundation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance and finance-related legal requirements. The Foundation has only one fund which is reported as a governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of governmental fund revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-15 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Foundation, assets exceeded liabilities by \$9,812,766 at the close of the most recent fiscal year.

The unrestricted portion of the Foundation's net position (43%) may be used to meet the ongoing obligations of the Foundation and to pursue its mission. Unrestricted position increased \$277,651 or 7% in 2016.

Foundation's Net Position

	2016	2015
Current and other assets	\$ 9,822,366	\$ 9,328,971
Capital assets, net	38,750	74,750
Total Assets	9,861,116	9,403,721
 Total Liabilities	 48,350	 8,201
 Net Position		
Net investment in capital assets	38,750	74,750
Restricted	5,552,380	5,376,785
Unrestricted	4,221,636	3,943,985
Total Net Position	\$ 9,812,766	\$ 9,395,520

The restricted net position (57%) represents resources that are subject to external restrictions on how and when they may be used. Restricted net position increased \$175,595 or 3% in 2016.

Change in Foundation's Net Position

	2016	2015
Revenues		
Program Revenues		
Contributions	\$ 183,084	\$ 271,007
General Revenues		
Investment income (loss)	551,854	(78,325)
Other	-	90
Total General Revenues	551,854	(78,235)
Total Revenues	734,938	192,772
 Expenses		
Library contributions	180,088	137,527
Public relations	3,700	10,716
Other	97,904	86,783
Depreciation	36,000	36,000
Total Expenses	317,692	271,026
Change in Net Position	417,246	(78,254)
Net Position, Beginning of Year	9,395,520	9,473,774
Net Position, End of Year	\$ 9,812,766	\$ 9,395,520

Net position increased \$417,246 or 4%. The increase in net position is due primarily to the market performance of investments during 2016. Contributions to the Library by the Foundation increased \$42,561. The Foundation distributes a percentage of Fund Balance for all Foundation funds. The Foundation had investment income of \$551,854 during 2016, an 805% or \$630,179 increase from investment income in 2015 due to an increase in market performance.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the Foundation's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Foundation's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use at the end of the fiscal year.

As of the end of the current fiscal year, the Foundation's governmental fund reported combined ending fund balances of \$9,774,016. Approximately 23% of this amount (\$2,221,636) constitutes unassigned fund balance, which is available for spending at the Foundation's discretion. The remainder of the fund balances have spending constraints placed on the purpose for which resources can be used.

Capital Assets

At the end of 2016, the Foundation had invested \$150,000 in a documentary film titled "Up Among the Hills." The film was completed in October 2012 and \$126,250 depreciation has been recorded. During 2013, the Foundation Board authorized development of a second documentary on the photography of Andrew Kilgore. The documentary was completed in mid-2014 for a total cost of \$30,000. As of December 31, 2016, \$15,000 of depreciation has been recorded.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be mailed to the following address:

Fayetteville Public Library Foundation
401 W. Mountain
Fayetteville, AR 72701

Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
Governmental Fund Balance Sheet/Statement of Net Position
December 31, 2016

	Governmental Fund Balance Sheet	Adjustments	Statement of Net Position	2015 (Memorandum Only)
Assets				
Cash and cash equivalents	\$ 2,282,495	\$ -	\$ 2,282,495	\$ 2,235,237
Pledges receivable, net of allowance	-	-	-	100,000
Due from Library	-	-	-	5,406
Accrued interest receivable	5,688	-	5,688	6,683
Grant receivable	-	-	-	200,000
Inventories	7,969	-	7,969	7,969
Investments	1,944,362	-	1,944,362	1,711,084
Restricted				
Cash and cash equivalents	234,106	-	234,106	197,234
Investments	5,334,866	-	5,334,866	4,852,864
Accrued interest receivable	12,880	-	12,880	12,494
Capital assets	-	38,750	38,750	74,750
Total assets	<u>\$ 9,822,366</u>	<u>38,750</u>	<u>9,861,116</u>	<u>9,403,721</u>
Liabilities				
Accounts payable	\$ 3,667	-	3,667	8,201
Due to Library	44,683	-	44,683	-
Total liabilities	<u>48,350</u>	<u>-</u>	<u>48,350</u>	<u>8,201</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	1,250,000	(1,250,000)		
Restricted	4,302,380	(4,302,380)		
Committed	2,000,000	(2,000,000)		
Unassigned	2,221,636	(2,221,636)		
Total fund balances	<u>9,774,016</u>	<u>(9,774,016)</u>		
Total liabilities and fund balances	<u>\$ 9,822,366</u>			
Net Position				
Net investment in capital assets		38,750	38,750	74,750
Restricted for capital assets				
Expendable		454,790	454,790	392,711
Nonexpendable		500,000	500,000	500,000
Restricted for the children's library		-	-	-
Expendable		1,010,097	1,010,097	951,082
Nonexpendable		750,000	750,000	750,000
Restricted for the volunteer program		-	-	-
Expendable		392,740	392,740	378,866
Restricted for NEH Grant		-	-	-
Expendable		2,444,753	2,444,753	2,404,126
Unrestricted		4,221,636	4,221,636	3,943,985
Total net position		<u>\$ 9,812,766</u>	<u>\$ 9,812,766</u>	<u>\$ 9,395,520</u>

Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities
Year Ended December 31, 2016

	Governmental Fund	Adjustments	Statement of Activities	2015 (Memorandum Only)
Revenues				
Contributions	\$ 183,084	\$ -	\$ 183,084	\$ 271,007
Investment income (loss)	551,854	-	551,854	(78,325)
Other	-	-	-	90
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	734,938	-	734,938	192,772
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures/Expenses				
Current				
Library contributions	180,088	-	180,088	137,527
Public relations	3,700	-	3,700	10,716
Other	97,904	-	97,904	86,783
Depreciation	-	36,000	36,000	36,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	281,692	36,000	317,692	271,026
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures/Expenses and Changes in Fund Balances/Net Position				
	453,246	(36,000)	417,246	(78,254)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances/Net Position				
Beginning of year	9,320,770	74,750	9,395,520	9,473,774
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 9,774,016	\$ 38,750	\$ 9,812,766	\$ 9,395,520
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Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
Notes to Financial Statements
December 31, 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Fayetteville Public Library Foundation (the “Foundation”) was created as a vehicle to provide for the reception and administration of endowments and other designated and undesignated charitable gifts to and for the benefit of the Fayetteville Public Library (the “Library”) and for the advancement of the role of the Library in encouraging reading, knowledge acquisition and a love of literature. The Foundation is governed by a Board of Directors appointed by the Board of Trustees of the Library. The Foundation is a component unit of the Library.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Foundation has one fund, the General Fund, which is the Foundation’s primary operating fund.

The General Fund is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Foundation considers revenues to be available if they are collectable within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

In addition to presenting information for the General Fund, the statements present information for the Foundation using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, liabilities, and deferred inflows/outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Fayetteville Public Library Foundation
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Notes to Financial Statements

December 31, 2016

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016, cash equivalents consisted of money market funds with brokers.

Restricted cash equivalents consist of those short-term liquid investments held for use by the Foundation that have been limited by donors to a specific time period or purpose.

Inventories

Inventories, consisting of DVD's, are valued at cost using the first in/first out (FIFO) method.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition, and in nonnegotiable certificates of deposit, are carried at amortized cost. All other investments, including investments in equity and debt securities, are carried at fair value. Fair value is determined using quoted market prices.

Restricted investments consist of those investments held for use by the Foundation that have been limited by donors to a specific time period or purpose.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life of the films is 5 years.

Pledges Receivable

Pledges receivable consists of promises to give made by donors. Pledges receivable are recorded net of estimated uncollectible amounts and discounted to present value for pledges due in more than one year. The Foundation provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Fayetteville Public Library Foundation

A Component Unit of the Fayetteville Public Library

Notes to Financial Statements

December 31, 2016

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the Foundation that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the Foundation that is applicable to a future period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. As of December 31, 2016, there were no deferred outflows of resources or deferred inflows of resources.

Net Position

Net position of the Foundation is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by donors external to the Foundation. Restricted nonexpendable net position is noncapital assets whose restrictions are permanent in nature as specified by donors external to the Foundation. Unrestricted net position is remaining assets plus deferred outflows less remaining liabilities plus deferred inflows that do not meet the definition of restricted expendable or restricted nonexpendable net position.

When both restricted and unrestricted resources are available for use, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance - Governmental Funds

The fund balances for the Foundation's governmental funds are displayed in four components:

Nonspendable - Nonspendable fund balances are not in a spendable form or are required to be maintained intact. Foundation funds in this category are legally required to be maintained intact by external contributors.

Restricted - Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Foundation funds in this category are externally restricted by contributors.

Committed - Committed fund balances may only be spent for specific purposes as determined by the Board of Trustees. Foundation funds in this category can only be changed by a vote of the Board of Trustees. As of December 31, 2016, the Foundation has set aside \$2,000,000 for the acquisition of property to be used for the new Library, which is expected to be finalized during 2017.

Fayetteville Public Library Foundation
A Component Unit of the Fayetteville Public Library
Notes to Financial Statements
December 31, 2016

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The Foundation considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Foundation applies restricted amounts first, followed by committed amounts, followed by unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes

The Foundation is exempt from income taxes under section 501 of the Internal Revenue Code and similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Adoption of Accounting Principles

GASB Statement No. 72 – Fair Value Measurement and Application

The Foundation implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for 2016. The statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Implementation of GASB 72 has resulted in more expanded disclosures as they relate to investments held by the Foundation, however, the Statement had no impact on any amounts reported by the Foundation within any of the basic financial statements as listed in the table of contents.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Foundation's policy for custodial credit risk requires compliance with the provisions of state law.

State law requires that deposits of public funds with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Fayetteville Public Library Foundation
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At December 31, 2016, the Foundation's bank balances were \$170,492, all of which were insured. The carrying value of these deposits as of December 31, 2016, was \$165,530.

Investments

At December 31, 2016, the Foundation had the following investments and maturities:

Type	December 31, 2016				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Corporate bonds	\$ 2,497,089	\$ 198,047	\$ 1,320,279	\$ 978,763	\$ -
Money market mutual funds	2,351,281	2,351,281	-	-	-
U.S. agencies obligations	101,642	20,117	-	81,525	-
		<u>\$ 2,569,445</u>	<u>\$ 1,320,279</u>	<u>\$ 1,060,288</u>	<u>\$ -</u>
Corporate stocks	4,087,085				
Unit trusts	318,262				
Mutual funds	<u>274,940</u>				
	<u>\$ 9,630,299</u>				

In compliance with GASB 72, the Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation had the following recurring fair value measurements as of December 31, 2016:

- Corporate bonds and stocks of \$2,497,089 and \$4,087,085, respectively, are valued using quoted market prices (Level 1 inputs).
- Money market mutual funds and mutual funds of \$2,351,281 and \$274,940, respectively, are valued using quoted market prices (Level 1 inputs).
- U.S. agencies obligations of \$101,642 are valued using the option-adjusted discounted cash flow model (Level 2 inputs).
- Unit trusts of \$318,262 are valued using quoted market prices (Level 1 inputs).

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Notes to Financial Statements

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Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy limits its investment fixed income portfolio to maturities of no more than ten years or non-public in nature.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Foundation’s policy to limit its investments in corporate bonds to issues that are rated investment grade by Standard & Poor’s and Moody’s Investors Service and shall maintain an A+ average rating or better for Standard & Poor’s and an A1 average rating or better for Moody’s Investors Service. At December 31, 2016, the Foundation’s investments in U.S. agencies obligations and corporate bonds were rated an average rate of A+ by Standard & Poor and an average rate of A1 by Moody’s Investors Service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Foundation’s investment policy does not address custodial credit risk.

Concentration of Credit Risk - The Foundation’s investment policy dictates that except for U.S. Treasury or agency obligations, the Foundation’s investment portfolio shall contain no more than 5% exposure to any issuer.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statement of net position as follows:

Carrying value	
Deposits	\$ 165,530
Investments	9,630,299
	\$ 9,795,829
	\$ 9,795,829
Included in the following statement of net position captions	
Cash and cash equivalents	\$ 2,282,495
Investments	1,944,362
Restricted cash and cash equivalents	234,106
Restricted investments	5,334,866
	\$ 9,795,829
	\$ 9,795,829

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Investment Income

Investment income for the year ended December 31, 2016, consisted of:

Interest and dividend income	\$ 171,631
Net increase in fair value of investments	<u>380,223</u>
	<u><u>\$ 551,854</u></u>

Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2016, was:

	Beginning Balance	Additions	Reductions	Ending Balance
Films	180,000	\$ -	\$ -	\$ 180,000
Less accumulated depreciation Films	105,250	36,000	-	141,250
Capital assets, net	\$ 74,750	\$ (36,000)	\$ -	\$ 38,750

Note 4: Endowments and Similar Funds

The Board of Directors has established an investment policy with the objective of protecting the principal of the Foundation's investments and maximizing total investment return without assuming extraordinary risks. It is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to ensure a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. As of December 31, 2016, the Foundation had a total of \$1,026,204 in net appreciation from investment of donor-restricted endowments available for expenditure. This amount is reported in restricted fund balance in the governmental fund balance sheet and in various categories of expendable restricted net position on the statement of net position. The laws of the state of Arkansas do not currently restrict the Foundation's ability to spend net appreciation on donor-restricted endowment funds.