

ALLAN J. MARTER

2121 Whalen Drive
Point Roberts, WA 98281
amarter@waiatainc.com

Res: (360) 945-1229
Fax: (303) 265-9812
Cell: (303) 875-2090

2015 July 26

The Board of Directors
FRIENDS OF THE POINT ROBERTS LIBRARY
Point Roberts, WA 98281

**Re: Financial Statements of Friends of the Point Roberts Library for the
two year period ended March 31, 2015 (since inception on April 1, 2013)**

Attached are the Financial Statements for the Friends of Point Roberts Library for the two year period ended March 31, 2015 (since inception on April 1, 2013), for consideration by the Board of Directors.

In April 2015, I was approached by members of the Board to undertake an audit of the financial statements. Following discussions with members of the Board, after some investigation and research, and after spending time examining the books and records of FOPRL for the two year period ended March 31, 2015, I have compiled these financial statements, and I note the following:

1) Section 3 of Article V of the FOPRL By-Laws states that "The Corporation shall conduct an independent financial audit of its books every second year, beginning with the two year period ending March 31, 2015, provided that revenue was equal to or more than \$50,000 in either of those two years." As per the details in Note 6 below, this threshold was passed in the period.

2) Only an independent certified CPA can conduct an audit and prepare audited financial statements, and I am not a CPA. In addition, only a CPA can prepare a reviewed financial statement. I am able to compile suitable financial statements, so this is what I have done. In addition, I have spent time examining the books and records of FOPRL, and I have conducted certain tests and reviews in compiling these financial statements.

3) My guesstimate is that an audit of the FOPRL books and records in order to prepare audited financial statements would cost a minimum of \$10,000, and in earlier years the cost may be higher. I note below in Note 9, my recommendation that I would suggest a revision to your By-Laws may be more cost effective. Also, it was pointed out during my research on this, that the Whatcom Community Library Foundation ("WCLF" - which foundation processed and held contributions for the FOPRL for 2½ years) does not have an audit because of the small size of WCLF.

4) I have prepared a two year statement for the period for a number of reasons, including the fact that your By-Laws refer to the period ended March 31, 2015, and this is two years since FOPRL was incorporated as a Washington State Non-Profit Corporation and registered with the IRS as a 501(c)(3). Also, during the period when fund raising was undertaken with a goal of raising the necessary financing to fund the renovation of the Julius Fire Hall and the building of a new library, funds were raised by FOPRL and for some time held by WCLF with the funds only being returned to and held by FOPRL in the last year.

5) During the last four years that I concerned myself with, the books and records have been well kept by Louise Cassidy, with additional fund-raising records well maintained by Ed Park. I have spent time examining both of these sets of books and records, and can confirm that I have obtained all the information and answers that I have requested.

6) The fund-raising push for the new library commenced in early 2012, and funds were raised as follows:

Year ended	Amount raised	Funds flowed through/held by
From January through March 31, 2012	\$ 1,751	WCLF
To March 31, 2013	\$ 103,112	WCLF
To March 31, 2014	\$ 131,265	WCLF (except for \$4,508)
To March 31, 2015	\$ 203,102	FOPRL (except for WCLF \$811)
Total	\$ 439,230	

Note that the above total does not agree with the financial statements, because it does not include funds raised by the Library Support Committee through their activities.

7) During the year ended March 31, 2015, FOPRL also received cash proceeds of \$234,800 from the WCLF, for funds received by the foundation and held until such time as FOPRL was incorporated and registered.

8) The financial statements have been summarized without the full detail contained in the books and records maintained by FOPRL. However, the following table summarizes in slightly greater detail the activities over the two year period covered by the financial statements:

Periods ended March 31:	2014	2015	2 years
<u>Revenue and Support:</u>			
Building Fund activities	11,312	11,465	22,777
LSC events and activities	4,618	4,421	9,039
BF fundraising that did not flow through WCLF			177,779
Transfer from Whatcom County Library Foundation		234,800	234,800
<u>Total revenue and support for the period:</u>			444,395
<u>Expenses:</u>			
Fundraising and promotions	943		
Incorporation expenses for FOPRL (501(c)(3) etc.)	920		
Little Library		456	
Mailing	539		
Overheads (advertising, meetings, etc.)	393	41	
Programs (magazines, puppet show, summer reading)	1,367	1,099	
	<u>4162</u>	<u>1596</u>	5,758
Expenses accrued for architect's fees			12,880
<u>Total expenses for the period:</u>			18,638
Change in net assets over the two year period			425,757
Net assets at March 31, 2013			6,378
Net assets at March 31, 2015			<u>432,135</u>

9) Recommendations:

- (a) The financial statements should be considered by the Board of Directors and then approved by them for signing by two directors, and I would be pleased to answer any questions or address any comments thereon;
- (b) In the future, annual financial statements could be prepared, and this work could be coordinated with the necessary filings with the IRS;
- (c) Amendments to the By-Laws "may be made at any meeting of the general membership by a two-thirds vote of FOPRL members" (Article VII of the FOPRL By-Laws), and the requirement for an audit could be changed or moderated. In light of the cost of an audit and the likely ongoing amounts to be raised and spent by the FOPRL once this fund raising push is over, I suggest that it may be appropriate to make this change. One possibility would be for the requirement for an audit to remain in the By-Laws but the requirement could be "at the direction or option of the Board, which may require an audit" with this decision to be made annually or every second year. If any change is to be recommended to the FOPRL members, it would be appropriate for the Board to address this and approve the change in a duly constituted Board meeting, subject to or pending approval by the membership.

Please let me know if you have questions or comments on the financial statements or the above information.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan J. Marter", with a horizontal line underneath the name.

Allan J. Marter

FRIENDS OF THE POINT ROBERTS LIBRARY

FINANCIAL STATEMENTS

**FOR THE TWO YEAR PERIOD ENDED MARCH 31, 2015
(SINCE INCEPTION ON APRIL 1, 2013)**

UNAUDITED

NOTICE TO READERS

The accompanying financial statements of Friends of the Point Roberts Library as at and for the two year period ended March 31, 2015 (since inception on April 1, 2013) are unaudited. They have been compiled for use by the Board of Directors of Friends of the Point Roberts Library, and have been reviewed and approved by the Board of Directors.

These financial statements have not been audited by an independent Certified Public Accountant.

FRIENDS OF THE POINT ROBERTS LIBRARY
Statement of Financial Position
as at March 31, 2015
Unaudited

March 31, 2015

Assets

Cash – Building Fund Whatcom Educational Credit Union	\$ 405,125
Umpqua Bank	7,105
Cash – Library Support Committee Umpqua Bank	5,744
Petty Cash	<u>41</u>
	418,015
Grants receivable (Note 3)	<u>27,000</u>
	<u>445,015</u>

Total Assets

\$ 445,015

Liabilities and Net Assets

Current Liabilities

Accounts payable	<u>\$ 12,880</u>
	12,880

Net Assets


Unrestricted Net assets	<u>432,135</u>
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Total Liabilities and Net Assets

\$ 445,015

SIGNED ON BEHALF OF THE BOARD on July 26, 2015:


DIRECTOR


DIRECTOR
ED PARK, TREAS

FRIENDS OF THE POINT ROBERTS LIBRARY**Statement of Activities and Changes in Net Assets**

for the two year period ended March 31, 2015

Unaudited

For the two year period ended March 31, 2015

(since inception on April 1, 2013)

Revenue and Support

Building Fund events and activities	\$	22,777
Library Support Committee events and activities		9,039
Building Fund fundraising – from businesses, foundations, individuals, matching grants and organizations		<u>177,779</u>
		209,595
Transfer from Whatcom County Library Foundation (Note 5)		<u>234,800</u>
Total revenue and support		444,395

Expenses

Fundraising and overhead expenses		4,838
Incorporation expenses		920
Project expenses – architect fees		<u>12,880</u>
Total expenses		<u>18,638</u>

Change in Net Assets 425,757Net Assets, beginning of period 6,378**Net Assets, end of period (unrestricted)** \$ 432,135

FRIENDS OF THE POINT ROBERTS LIBRARY

Statement of Cash Flows

for the two year period ended March 31, 2015

Unaudited

**For the two year period ended March 31, 2015
(since inception on April 1, 2013)**

Cash Flows from Operating Activities

Changes in net assets	\$	425,757
Adjustments for changes in current assets and liabilities:		
Grants receivable		(27,000)
Accounts payable		<u>12,880</u>
Net cash flows from operating activities		<u>411,637</u>
Net increase in cash for the two year period		<u>411,637</u>
Cash at beginning of period		<u>6,378</u>
Cash at end of period	\$	<u>418,075</u>

FRIENDS OF THE POINT ROBERTS LIBRARY

Notes to the Unaudited Financial Statements
for the two year period ended March 31, 2015
(since inception on April 1, 2013)

1 ORGANIZATION

Friends of the Point Roberts Library ("FOPRL") is a not-for-profit Washington Corporation established on April 1, 2013, and is exempt as a public charity under Section 501(c)(3) of the Internal Revenue Code. The mission of FOPRL, as a voluntary community association of interested persons who believe that good library services and facilities are essential to quality of life, is to enhance, support, promote and improve Whatcom County Library System's branch library in Point Roberts, WA. The activities of FOPRL include the raising of funds for materials, equipment, construction and renovation, and other needs that are beyond the scope of the Whatcom County Library System. From inception to the date of these financial statements, FOPRL has raised over \$400,000 towards the cost of the renovation and construction of the new library building in Point Roberts. FOPRL is governed by a volunteer Board of Directors and has no paid staff.

Prior to the inception of FOPRL, interested persons who supported the activities of the Point Roberts Library were organized in an unincorporated organization which was also called Friends of the Point Roberts Library.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and accordingly reflect all significant receivables, payables and other liabilities.

(b) Net Assets

The FOPRL has only received unrestricted net assets with no donor-imposed restrictions. If assets are received with temporary or permanent restrictions, these would be segregated and shown separately in the financial statements.

(c) Cash

Cash consists of checking accounts and savings accounts, plus the petty cash on hand.

(d) Revenues and expenses

Unconditional pledges and grants are recognized as revenue in the period the pledge is made, while other revenues are recognized and reported during the period received. All revenues are reported as increases in unrestricted net assets, while expenses are reported as decreases in unrestricted net assets.

(e) Prior periods

These financial statements are for the period from the registration of FOPRL as a Washington State non-profit corporation and the recognition of FOPRL as a public charity under Section 501(c)(3) of the Internal Revenue Code, referred to herein as inception, on April 1, 2013. Prior to this date, there was a voluntary community organization also referred to as FOPRL which functioned to support the staff and services provided by the Whatcom County Library System's branch library in Point Roberts, WA. The activities of the organization prior to inception, now referred to as the Library Support Committee, were de minimis compared with the activities of FOPRL since inception. Accordingly, the activities prior to inception have not been disclosed for comparative purposes in these financial statements.

FRIENDS OF THE POINT ROBERTS LIBRARY

Notes to the Unaudited Financial Statements
for the two year period ended March 31, 2015
(since inception on April 1, 2013)

3 GRANTS RECEIVABLE

The grant receivable of \$27,000 from the D.V. & Ida McEachern Charitable Trust was received in early April 2015.

4 ACCOUNTS PAYABLE

Under the terms of the Memorandum of Understanding described in Note 6, the Point Roberts Park and Recreation District #1 ("PRP&R") received invoices totalling \$12,880 from King Architecture, LLC ("David King") for architectural design services for the renovations to the Julius Fire Hall (see Note 7 below) through the end of March 2015. These invoices were paid in May 2015.

5 AGREEMENT WITH WHATCOM COUNTY LIBRARY FOUNDATION

Prior to inception, an agreement was entered into with the Whatcom County Library Foundation ("WCLF"), a 501(c)(3) founded to promote and enhance libraries in the Whatcom County Library System through program and capital project funding. Under this agreement, contributions received for the Point Roberts Library building fund would be passed to the WCLF and held until such time as the FOPRL was established as a not-for-profit Washington Corporation and a 501(c)(3). In September 2014, a total of \$234,800 in cash was transferred from the WCLF to FOPRL for contributions received for the building fund from 2012 through early 2014. This amount now forms part of the net assets of FOPRL.

6 MEMORANDUM OF UNDERSTANDING

In October 2014, FOPRL entered into a Memorandum of Understanding ("MOU") with PRP&R and the Whatcom County Rural Library District, which does business as the Whatcom County Library System ("WCLS"). This MOU updated, extended and replaced a previous memorandum of understanding dating from early 2012. Under the MOU, the three parties would work together to finalize plans for a new library for Point Roberts and to seek the funding necessary for the project. PRP&R owns the Point Roberts Community Center, where the library presently is presently housed, and also owns the adjacent Julius Fire Hall, where plans have been developed for the renovation of the space and construction of an expanded library facility. FOPRL undertook to attempt to raise the necessary funding for the capital cost of the project and WCLS would furnish, staff and operate the library (in the same manner as it operates the Point Roberts library now). During the design and construction phases, FOPRL will release funds to the PRP&R (as the owner and project manager) as the project progresses.

7 RENOVATION OF JULIUS FIRE HALL AND BUILDING THE NEW LIBRARY

The three parties to the MOU have adopted the feasibility plan and conceptual design developed by David King, which estimated that the renovation of the Julius Fire Hall and construction of the new library facility would cost \$538,000 (in 2012 dollars). Under the terms of the MOU, the project is in the design phase, and David King has billed costs of \$12,880 for work done during the period ended March 31, 2015 for schematic design (90% complete) and development design (30% complete). The invoices for these costs were paid in May 2015.