

ALDRICH PUBLIC LIBRARY  
REVIEW REPORT AND FINANCIAL STATEMENTS  
JUNE 30, 2018

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# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Aldrich Public Library  
Barre, Vermont

We have reviewed the accompanying financial statements of Aldrich Public Library (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
Montpelier, Vermont  
Vermont Public Accountancy License #110

February 21, 2019

ALDRICH PUBLIC LIBRARY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

Exhibit A

ASSETS

CURRENT ASSETS

Cash	
General checking account	\$ 79,378
Cash on hand	115
Incentive fund - savings	25
Book fund checking account	10,840
Due from City of Barre	27,949
Prepaid expenses	3,661
Total current assets	121,968

OTHER ASSETS

Building and Improvements	2,323,202
Land	7,400
Furnishings and equipment	52,196
Accumulated depreciation	(526,475)
Net land, buildings, improvements, furnishings and equipment	1,856,323

Pickwick sculpture (at cost)	25,000
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Investments:

Aldrich Public Library Trust	726,202
Ronald York Fund	1,431,563
Total investments	2,157,765

Total other assets	4,039,088
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Total assets	\$ 4,161,056
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 46,831
Total current liabilities	46,831

NET ASSETS

Unrestricted	3,829,019
Temporarily restricted	41,206
Permanently restricted	244,000
Total net assets	4,114,225

Total liabilities and net assets	\$ 4,161,056
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ALDRICH PUBLIC LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Exhibit B

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
City and Town support	\$ 386,852	\$ 0	\$ 0	\$ 386,852
Public support	165,801	25,000	15,000	205,801
Fines, reimbursements and other	11,304	0	0	11,304
Rental income	700	0	0	700
Interest and dividends, net of \$14,906 of investment expenses	35,848	0	0	35,848
Realized gain/(losses) on investments	27,262	0	0	27,262
Unrealized gains/(losses) on investments	65,748	0	0	65,748
Total	693,515	25,000	15,000	733,515
Satisfaction of temporary restrictions	6,007	(6,007)	0	0
Total support and revenue	699,522	18,993	15,000	733,515
EXPENSES				
Program Services	512,287	0	0	512,287
Supporting Services				
Management and General	127,039	0	0	127,039
Fundraising	11,598	0	0	11,598
Total supporting services	138,637	0	0	138,637
Total expenses	650,924	0	0	650,924
CHANGE IN NET ASSETS	48,598	18,993	15,000	82,591
NET ASSETS - JULY 1, 2017	3,780,421	22,213	229,000	4,031,634
NET ASSETS - JUNE 30, 2018	\$ 3,829,019	\$ 41,206	\$ 244,000	\$ 4,114,225

ALDRICH PUBLIC LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

Exhibit C

EXPENSES:	Total	Program Services	Management & General	Fundraising
Payroll and payroll taxes	\$ 367,483	\$ 293,986	\$ 69,822	\$ 3,675
Employee insurance	33,931	27,145	6,447	339
Employee retirement	7,979	6,383	1,516	80
Advertising	2,190	1,752	416	22
Office	17,381	13,905	3,302	174
Books and media	52,300	52,300	0	0
Accounting and attest services	17,648	0	17,648	0
Technology	9,434	8,491	943	0
Public programs	9,235	9,235	0	0
Licenses, dues and memberships	750	750	0	0
Professional development	2,361	0	2,361	0
Fundraising expenses	7,308	0	0	7,308
Utilities	42,119	33,695	8,424	0
Insurance	8,195	6,556	1,639	0
Contracted cleaning	23,902	19,122	4,780	0
Repair and maintenance	20,016	16,013	4,003	0
Depreciation	28,692	22,954	5,738	0
Total expenses	<u>\$ 650,924</u>	<u>\$ 512,287</u>	<u>\$ 127,039</u>	<u>\$ 11,598</u>

ALDRICH PUBLIC LIBRARY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

Exhibit D

CASH FLOWS FROM (TO) OPERATING ACTIVITIES:	
Change in net assets	\$ 82,591
Adjustments to reconcile change in net assets to cash from operating activities:	
Depreciation	28,692
Unrealized (gains) or losses on investments	(65,748)
Realized (gains) or losses on investments	(27,262)
(Increase) Decreases in receivable from the City of Barre	(27,949)
(Increase) Decreases in prepaid expenses	(3,661)
Increase (Decrease) in accounts payable	15,709
Net cash from operating activities	2,372
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:	
Proceeds from sale of investments	94,191
Purchase of investments	(103,754)
Net cash from investing activities	(9,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,191)
CASH AND CASH EQUIVALENTS - JULY 1, 2017	97,549
CASH AND CASH EQUIVALENTS - JUNE 30, 2018	\$ 90,358

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Aldrich Public Library is a not-for-profit public library headquartered in Barre, Vermont. The Library was formed in 1898 and serves the Central Vermont area. The Library is directed by a seven member Board of Trustees.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting* - The accompanying financial statements are presented on the accrual basis, recognizing expenses when incurred and revenues when earned. Program revenues which are received in advance are held as deferred revenue until the program occurs, at which point the revenue is recognized.

*Basis of Presentation* - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with Accounting Standards Codification. Under these standards, the Library is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporary restricted net assets, and permanently restricted net assets.

*Revenue Recognition* - Services, interest and dividends are recognized when earned. Changes in market value of securities are recognized as the market value changes.

*Property and Equipment* - All expenditures for property and equipment, and the fair market value of donated assets in excess of \$5,000 and having an economic useful life of greater than one year are capitalized. Depreciation is computed by the straight-line method, beginning in the month of acquisition, at rates based on the following estimated useful lives:

	<u>Years</u>
Site improvements	30 - 50
Buildings and improvements	5 - 50
Furniture and equipment	5
Technology	5

*Cash and Cash Equivalents* – The Library considers cash and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*Investments* – The Library carries investments in marketable securities and all investments in debt securities with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

*Restricted and unrestricted support* – Support that is restricted is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to the unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Library has elected to recognize restrictions whose restriction is met in the same reporting period, as unrestricted contributions.

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Functional Allocation of Expenses* - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited with estimates provided by the Library's manager.

*Promises to Give* - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The Library uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

*Taxation* - The Library is taxed as an exempt organization under IRC 501(c)(3).

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Fundraising and Advertising* - The "Friends of Aldrich Public Library" hold fund raising events each year, the primary events being a banquet/auction and a book sale. Proceeds of these events are given to the Library. Additionally, the Library solicits funds in an "annual appeal" each year and the Board of Trustees holds a fundraising gala. Fundraising and advertising costs are expensed when incurred.

*Payroll and Employees* - Library employees are considered employees of the City of Barre, but are paid as a reimbursement by the Library. Payroll processing services, the fair value of which is estimated to be immaterial, are provided by the City free of charge.

**NOTE 2 - CASH**

Balances held at June 30, 2018 are as follows:

	Book Balance	Bank Balance
Insured (FDIC)	<u>\$ 90,358</u>	<u>\$ 122,673</u>

The difference between book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks.



ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

**NOTE 3 - INVESTMENTS**

The cost and fair value at June 30, 2018 are as follows:

	Cost	Fair Value	Fair Value Over (Under) Cost
Cash and cash equivalents	\$ 154,161	\$ 154,161	\$ 0
Certificate of deposit	600,000	600,000	0
Government bonds	55,000	55,613	613
Corporate bonds	30,000	29,848	(152)
Mutual funds	241,054	236,664	(4,390)
Equities	643,762	1,081,479	437,717
	<u>\$ 1,723,977</u>	<u>\$ 2,157,765</u>	<u>\$ 433,788</u>

For the year ended June 30, 2018, unrealized gains were \$65,748.

**NOTE 4 – FAIR VALUE MEASUREMENT**

The Fair Value Measurements topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

*Level 1* – inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Library has valued their investments listed on national exchanges at the last sales price as of the day of valuation using the market valuation approach.

*Level 2* – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The Library has no Level 3 inputs.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

**NOTE 4 – FAIR VALUE MEASUREMENTS (continued)**

Financial assets and liabilities carried at fair value on a recurring basis consist of the following at June 30, 2018:

	<u>Level 1</u>
Assets:	
Cash and cash equivalents	\$ 154,161
Certificate of deposit	600,000
Governmental bonds	55,613
Corporate bonds	29,848
Mutual funds	236,664
Equities	1,081,479
Total	<u>\$ 2,157,765</u>

**NOTE 5 – ENDOWMENT FUNDS**

The Library’s endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the reservation 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 Library records donor restricted endowment funds as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (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 Library, and (7) the Library’s investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Library has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds, if possible.

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018  
(Continued)

**NOTE 5 – ENDOWMENT FUNDS (continued)**

Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net assets as of June 30, 2018 are all located in permanently restricted assets for \$244,000. There was an increase of \$15,000 in endowments during the year related to donations received with permanent restrictions.

**NOTE 6 – CONCENTRATION OF REVENUE**

The Library receives 53% of its revenue from the surrounding cities and towns as support for services provided to the community members located in those towns.

**NOTE 7 - RETIREMENT PLAN**

The Library has a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all unionized employees of the Library and the Director. The Library contributes 2% of wages to the plan each year for covered employees, and those employees will contribute no less than 2% to the same plan. Covered employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they choose. Total covered wages for 2018 were \$399,950 and the Library contributions for 2018 were \$7,979.

**NOTE 8 – RESTRICTED NET ASSETS**

The balance of temporarily restricted net assets as of June 30, 2018 is as follows:

Childrens room renovation	\$ 25,000
Design services for renovation	614
Landscaping	500
Preserving the building and collections	7,466
Pickwick statue maintenance	5,896
Writing contest	1,730
Total temporary restrictions	<u>\$ 41,206</u>

All permanent restrictions allow the use of income earned from those funds to be used for purchases of books and media.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(Continued)

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 21, 2019, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.