

**ALDRICH PUBLIC LIBRARY
ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 2022**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
Aldrich Public Library
Barre, Vermont

We have reviewed the accompanying financial statements of Aldrich Public Library (a Vermont nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 entity 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.

Accountants' 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.

We are required to be independent of Aldrich Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' 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.

Osterman, Sancibrian & Burke, PC

Osterman, Sancibrian & Burke, PC
Barre, Vermont
November 3, 2022

ALDRICH PUBLIC LIBRARY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS:			
Cash			
General checking account (NSB)		\$ 206,465	\$ 275,868
Book fund checking account (CNB)		2,092	2,294
Incentive fund - savings (VSECU)		26	26
Fines and fees (petty cash)		115	115
Total cash		<u>208,698</u>	<u>278,303</u>
Prepaid expense		<u>8,021</u>	<u>1,819</u>
Total current assets		<u>216,719</u>	<u>280,122</u>
OTHER ASSETS:			
Land, buildings, improvements, furnishings and equipment		2,638,179	2,585,876
Accumulated depreciation		<u>(669,681)</u>	<u>(632,140)</u>
Net land, buildings, improvements, furnishings and equipment		1,968,498	1,953,736
Pickwick sculpture (at cost)		25,000	25,000
Investments			
Aldrich Public Library Fund - Board Designated		707,540	802,958
Aldrich Public Library Fund - Donor Restricted		238,854	265,740
Donald Allen - Board Designated Fund		483,653	544,222
Donald Allen - Donor Restricted Fund		1,264,014	436,353
Ronald York Fund		<u>1,482,668</u>	<u>1,606,970</u>
Total investments at fair market value		4,176,729	3,656,243
Total other assets		<u>6,170,227</u>	<u>5,634,979</u>
TOTAL ASSETS		<u><u>\$ 6,386,946</u></u>	<u><u>\$ 5,915,101</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 43,083	\$ 34,831
Accrued expenses		35,457	32,307
Refundable advance - Payroll Protection Program		-	78,527
Total current liabilities		<u>78,540</u>	<u>145,665</u>
NET ASSETS:			
Without donor restrictions			
Undesignated		151,740	126,897
Designated by the Board for operating reserve		1,482,668	1,606,970
Designated by the Board per APL investment policy (Note 6)		1,191,193	1,347,180
Invested in property and equipment, net of related debt		<u>1,993,498</u>	<u>1,978,736</u>
Total net assets without donor restrictions		4,819,099	5,059,783
With donor restrictions			
Perpetual in nature		1,650,706	672,128
As to purpose		29,282	37,525
Underwater endowments (Note 6)		<u>(190,681)</u>	<u>-</u>
Total net assets with donor restrictions		<u>1,489,307</u>	<u>709,653</u>
TOTAL NET ASSETS		<u><u>6,308,406</u></u>	<u><u>5,769,436</u></u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 6,386,946</u></u>	<u><u>\$ 5,915,101</u></u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDING JUNE 30, 2022
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 (Summarized)
OPERATING REVENUE:				
City and Town support	\$ 423,250	\$ -	\$ 423,250	\$ 414,050
Public support	85,421	-	85,421	51,184
Circulation desk	2,473	-	2,473	756
Rental income	270	-	270	25
Grant income	29,707	-	29,707	-
Satisfaction of temporary restrictions	298,873	(298,873)	-	-
Total unrestricted operating revenue	<u>839,994</u>	<u>(298,873)</u>	<u>541,121</u>	<u>466,015</u>
OPERATING EXPENSES:				
Library operations:				
Payroll and payroll taxes	404,700	-	404,700	351,859
Employee insurance	36,411	-	36,411	35,240
Employee retirement	6,638	-	6,638	7,121
Publicity	-	-	-	400
Office supplies, postage and miscellaneous	19,252	-	19,252	19,533
Books and media	38,118	-	38,118	40,995
Accounting and attest services	16,861	-	16,861	20,001
Technology expenses	4,293	-	4,293	12,044
Library program expenses	5,662	-	5,662	2,697
Licenses, dues and memberships	2,905	-	2,905	4,219
Professional development	1,082	-	1,082	297
Fundraising expenses	6,061	-	6,061	4,154
Library buildings:				
Heat, electricity, water, telephone	54,439	-	54,439	42,115
Insurance	11,612	-	11,612	6,820
Contracted cleaning	18,231	-	18,231	12,842
Repair and maintenance	15,315	-	15,315	13,966
Depreciation	37,541	-	37,541	38,310
Grant expense	18,644	-	18,644	465
Total operating expenses	<u>697,765</u>	<u>-</u>	<u>697,765</u>	<u>613,078</u>
OPERATING INCOME (LOSS)	<u>142,229</u>	<u>(298,873)</u>	<u>(156,644)</u>	<u>(147,063)</u>
OTHER REVENUE:				
Interest, dividends and realized gains or losses (net of investment expense)	141,932	-	141,932	31,735
Received from Donald Allen estate	-	1,000,000	1,000,000	936,797
Donation - E. Campbell Trust	31,719	-	31,719	53,936
Donation - Helen Roy	-	-	-	20,615
Donation -Ronald York	127,274	-	127,274	-
PPP grant revenue	-	78,527	78,527	86,900
Market value (losses)/gains on investments	(683,838)	-	(683,838)	422,028
Net other revenue	<u>(382,913)</u>	<u>1,078,527</u>	<u>695,614</u>	<u>1,552,011</u>
INCREASE OR (DECREASE) IN NET ASSETS	<u>(240,684)</u>	<u>779,654</u>	<u>538,970</u>	<u>1,404,948</u>
NET ASSETS - beginning of year	<u>5,059,783</u>	<u>709,653</u>	<u>5,769,436</u>	<u>4,364,488</u>
NET ASSETS - end of year	<u>\$ 4,819,099</u>	<u>\$ 1,489,307</u>	<u>\$ 6,308,406</u>	<u>\$ 5,769,436</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2022

	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>
OPERATING EXPENSES:				
Library operations:				
Payroll & payroll taxes	\$ 404,700	\$ 354,396	\$ 46,783	\$ 3,521
Employee insurance	36,411	31,885	4,209	317
Employee retirement	6,638	5,813	767	58
Office supplies, postage, miscellaneous	19,252	16,859	2,226	167
Books and media	38,118	38,118	-	-
Accounting and attest services	16,861	-	16,861	-
Technology expenses	4,293	3,760	496	37
Library program expenses	5,662	5,662	-	-
Licenses, dues and memberships	2,905	2,544	336	25
Professional development	1,082	948	125	9
Fundraising expenses	6,061	-	-	6,061
Heat, electricity, water, telephone	54,439	47,672	6,293	474
Insurance	11,612	10,169	1,342	101
Contracted cleaning	18,231	15,964	2,108	159
Repair and maintenance	15,315	13,412	1,770	133
Depreciation	37,541	32,874	4,340	327
Grant expenses	18,644	18,644	-	-
Total operating expenses	<u>\$ 697,765</u>	<u>\$ 598,720</u>	<u>\$ 87,656</u>	<u>\$ 11,389</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED JUNE 30, 2021

	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>
OPERATING EXPENSES:				
Library operations:				
Payroll & payroll taxes	\$ 351,859	\$ 249,961	\$ 86,768	\$ 15,130
Employee insurance	35,240	25,035	8,690	1,515
Employee retirement	7,121	5,059	1,756	306
Publicity	400	284	99	17
Office supplies, postage, miscellaneous	19,533	13,876	4,817	840
Books and media	40,995	40,995	-	-
Accounting and attest services	20,001	-	20,001	-
Technology expenses	12,044	8,556	2,970	518
Library program expenses	2,697	2,697	-	-
Licenses, dues and memberships	4,219	2,998	1,040	181
Professional development	297	211	73	13
Fundraising expenses	4,154	-	-	4,154
Heat, electricity, water, telephone	42,115	29,918	10,386	1,811
Insurance	6,820	4,845	1,682	293
Contracted cleaning	12,842	9,123	3,167	552
Repair and maintenance	13,966	9,921	3,444	601
Depreciation	38,310	27,216	9,447	1,647
Grant expense	465	465	-	-
Total operating expenses	<u>\$ 613,078</u>	<u>\$ 431,160</u>	<u>\$ 154,340</u>	<u>\$ 27,578</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY
STATEMENT OF CASH FLOWS
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets for year	\$ 538,970	\$ 1,404,948
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Add back:		
Depreciation (a non-cash expense)	37,541	38,310
(Increase)/decrease in prepaid expenses	(6,202)	5,743
Increase/(decrease) in accounts payable	8,252	10,048
Increase/(decrease) in accrued expenses	3,150	(406)
Increase/(decrease) in PPP cash advance	(78,527)	(8,373)
Other revenue and expenses (non-operating, from page 3):		
Cash additions to investments	(1,132,909)	(982,413)
Unrealized (gains) or losses on investments	683,838	(426,044)
Realized (gains) or losses on investments	(77,694)	-
Reinvested interest and dividends included in income (net of investment expense)	(63,962)	(31,735)
Net cash provided (used) by operating activities	<u>(87,543)</u>	<u>10,078</u>
Cash flow from investing activities:		
Cash payments for the purchase of property	(52,302)	(11,740)
Withdrawals from investment accounts	70,240	75,120
Net cash provided by investing activities	<u>17,938</u>	<u>63,380</u>
Total increase or (decrease) in cash for year	(69,605)	73,458
Cash - beginning of year	<u>278,303</u>	<u>204,845</u>
Cash - end of year	<u>\$ 208,698</u>	<u>\$ 278,303</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Aldrich Public Library (APL) is a not-for-profit library formed in 1898 and headquartered in Barre, Vermont. The Library serves the residents of Barre City and Barre Town and welcomes all others. Aldrich Public Library is directed by a seven-member Board of Trustees, and its mission is to inspire the joy of reading, promote life-long learning, and strengthen community.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting, which recognizes expenses when incurred, and revenues when earned.

Basis of Presentation – The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in accordance with the FASB Accounting Standards Codification. Under these standards, the Library is required to report information regarding its financial position and activities according to two classes of net assets 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 governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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 those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

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

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, when an expense cannot be assigned directly to a functional expense, costs have been allocated among the program and supporting services benefited based on management’s analysis of each employee’s time spent working in activities under the respective functions presented.

Operating Income - In its statement of revenue, expenses, and changes in net assets the Library includes in its definition of “operating income” all revenues and expenses that are an integral part of its programs including operation of the Library in Barre, Vermont, and a small branch Library in East Barre. Other revenue and expense includes investment income and fees, donations made directly to the investment accounts, and interest expense.

Publicity and Fundraising - The “Friends of Aldrich Public Library” hold fundraising 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. Fundraising and publicity costs are expensed when incurred.

Collections - Library books and magazines are expensed each year as purchased. Except for the Pickwick sculpture purchased in 2015, the Library has elected, as permitted by accounting standards under ASC 958-360-25-3, not to report in its financial statements works of art, historical treasures, or other similar assets held for public exhibition, education, or research. Maintenance of collections is expensed each year as the cost is incurred.

Payroll - Aldrich Public Library has its contracted accountant process payroll for the Library under the Library’s employee identification number.

Taxation - The Library is taxed as an exempt organization under IRC 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

The Return of Organization Exempt from Income tax (Form 990) for fiscal years ending June 30, 2019, 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they were filed.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Library’s management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. CASH

Balances held on June 30, 2022 are as follows:

	Book Balance	Bank Balance
Insured (FDIC)	\$208,698	\$223,816

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

NOTE 3. PROPERTY AND EQUIPMENT

On June 30, 2022, "Land, buildings, building improvements, furnishings and equipment" included these:

	Depreciable Life	Cost*	Accumulated Depreciation	Net Book Value
Land:				
City of Barre	-	\$ 5,000	\$ -	\$ 5,000
Town of Barre	-	2,400	-	2,400
Buildings:				
City of Barre	100	45,000	(40,950)	4,050
Town of Barre	20	23,300	(23,300)	-
Building improvements:				
City of Barre	10-99	2,361,210	(471,697)	1,889,513
Town of Barre	10-40	128,741	(72,877)	55,864
Furnishings and equipment	5-10	<u>72,527</u>	<u>(60,857)</u>	<u>11,670</u>
Totals		<u>\$2,638,178</u>	<u>(\$669,681)</u>	<u>\$1,968,497</u>

*The City of Barre land and building, building improvements, furnishings and equipment are recorded at historical cost; the East Barre branch land and building are recorded at assessed value when acquired.

As provided in a 1982 agreement between the Town of Barre and the Library, ownership of the East Barre real estate and contents would revert to the Town if that building ceased to be used as a library.

Changes in land, buildings, building improvements, furnishings and equipment, and accumulated depreciation are as follows:

	<u>Balance</u> 6/30/2021	<u>Additions</u>	<u>Depreciation</u> <u>Expense</u>	<u>Balance</u> 6/30/2022
Land	\$ 7,400	\$ -	\$ -	\$ 7,400
Buildings	6,300	-	(2,250)	4,050
Building improvements	1,924,029	52,302	(30,954)	1,945,377
Furnishings and equipment	16,007	-	(4,337)	11,670
	<u>\$1,953,736</u>	<u>\$ 52,302</u>	<u>\$(37,541)</u>	<u>\$1,968,497</u>

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4. INVESTMENTS

The cost and fair value as of June 30, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	Fair Value Over (Under) <u>Cost</u>
APL TRUST - BOARD DESIGNATED			
Cash and cash equivalents	\$ 10,950	\$ 10,950	\$ -
Certificates of deposit	110,000	110,000	-
ETF-fixed income	107,998	99,836	(8,162)
Mutual funds	197,730	184,524	(13,206)
Equities	<u>306,202</u>	<u>302,230</u>	<u>(3,972)</u>
TOTAL	<u>732,880</u>	<u>707,540</u>	<u>(25,340)</u>
DON ALLEN – BOARD DESIGNATED			
Cash and cash equivalents	12,386	12,386	-
EFT-fixed income	89,797	82,649	(7,148)
Mutual funds	165,693	154,317	(11,376)
Equities	<u>245,633</u>	<u>234,301</u>	<u>(11,332)</u>
TOTAL	<u>513,509</u>	<u>483,653</u>	<u>(29,856)</u>
APL TRUST - DONOR RESTRICTED			
Cash and cash equivalents	10,168	10,168	-
ETF-fixed income	47,959	44,080	(3,879)
Mutual funds	89,375	83,047	(6,328)
Equities	<u>97,529</u>	<u>101,560</u>	<u>4,031</u>
TOTAL	<u>245,031</u>	<u>238,855</u>	<u>(6,176)</u>
DON ALLEN – DONOR RESTRICTED			
Cash and cash equivalents	28,556	28,556	-
EFT-fixed income	252,729	234,249	(18,480)
Mutual funds	466,696	437,470	(29,226)
Equities	<u>681,366</u>	<u>563,740</u>	<u>(117,626)</u>
TOTAL	<u>1,429,347</u>	<u>1,264,015</u>	<u>(165,332)</u>
RONALD YORK FUND			
Cash and cash equivalents	49,383	49,383	-
Certificates of deposit	299,940	299,940	-
EFT-fixed income	187,332	173,285	(14,047)
Mutual funds	311,145	290,478	(20,667)
Equities	<u>527,622</u>	<u>669,581</u>	<u>141,959</u>
TOTAL	<u>1,375,422</u>	<u>1,482,667</u>	<u>107,245</u>
TOTAL INVESTMENTS	<u>\$4,296,189</u>	<u>\$4,176,730</u>	<u>\$(119,459)</u>

For the year ended June 30, 2022, unrealized losses were \$683,838. The unrealized gains for the year ended June 30, 2021, were \$423,650.

NOTE 5. 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).

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. FAIR VALUE MEASUREMENT (CONTINUED)

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 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. The Library has no Level 2 inputs.

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.

Investments carried at fair value on a recurring basis consist of the following as of June 30, 2022:

Financial Assets:	Total Fair Value
Cash and cash equivalents	\$ 111,443
Certificates of deposit	409,940
ETF-fixed income	634,099
Mutual funds	1,149,836
Equities	<u>1,871,412</u>
TOTAL	<u>\$4,176,730</u>

NOTE 6. ENDOWMENT FUNDS - HELD IN INVESTMENTS

The Library’s endowment includes both donor restricted funds and funds designated by the Board of Trustees to function as quasi-endowments in the Aldrich Public Library Trust account. The Aldrich Public Library Trust account has been split into donor restricted and board designated funds as of January 2020, and their fair values have been reported above. As required by generally accepted accounting principles, net assets associated with endowment funds 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 the principal of donor restricted endowment funds as net assets with donor restrictions which are considered perpetual in nature and the unspent earnings of those funds as net assets with donor restrictions which are considered to have restrictions as to time and or purpose.

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.

ALDRICH PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6. ENDOWMENT FUNDS - HELD IN INVESTMENTS (CONTINUED)

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% of investment value over a rolling three-year average while growing the funds, if possible.

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.

The following is a summary of activity in the APL Trust – Board Designated account for the year ended June 30, 2022:

APL investments at fair value – beginning of year	\$802,958
Increase or (decrease) in fair value of investments	(116,739)
Earnings/losses net of expenses	25,926
Transfer out of account	(10,240)
New contributions into this account during the year	<u>5,635</u>
Investments at fair value - end of year	<u>\$707,540</u>

The APL Board Designated Trust is reserved for renovations to the library, equipment purchases, program operations, book purchases, and general operating expenses.

The following is a summary of activity in the Don Allen – Board Designated account for the year then ended June 30, 2022:

Don Allen investments at fair value – beginning of year	\$544,222
Increase or (decrease) in fair value of investments	(75,971)
Earnings/losses net of expenses	<u>15,402</u>
Investments at fair value – end of year	<u>\$483,653</u>

The Don Allen – Board Designated Trust is also reserved for renovations to the library, equipment purchases, program operations, book purchases, and general operating expenses.

The following is a summary of activity in the APL Donor Restricted Trust account for the year ended June 30, 2022:

APL Donor Restricted Trust – beginning of year	\$ 239,477
Increase or (decrease) in fair value of investments	28,058
Earnings/losses net of expenses	3,085
Transfer out of account	<u>(4,880)</u>
Investments at fair value - end of year	\$ <u>265,740</u>

The APL Donor Restricted Trust is perpetual in nature allows the use of income earned from those funds to be used for purchases of books and media.

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NOTE 6. ENDOWMENT FUNDS - HELD IN INVESTMENTS (CONTINUED)

With the receipt of the Don Allen Donor Restricted funds in FY2021 and FY2022, the donor and purpose restricted funds held by APL consist of two funds: the APL Donor Restricted Fund and the Don Allen Donor Restricted Fund. The nature of the restrictions of the donor restricted funds at year end follows:

Donor Restricted Funds held by APL	
APL Donor Restricted Fund	
Net assets with donor restrictions of a perpetual nature	\$244,000
Net assets with donor restrictions as to purpose	21,422
Underwater endowment	<u>(26,567)</u>
APL Donor Restricted Fund balance – end of year	<u>238,855</u>
Don Allen Donor Restricted Fund	
Net assets with donor restrictions of a perpetual nature	428,128
New contributions with restrictions of a perpetual nature	1,000,000
Underwater endowment	<u>(164,113)</u>
Investments at fair value – end of year	<u>1,264,015</u>
Total Donor Restricted Funds held by APL	<u>\$1,502,870</u>

The Don Allen Donor Restricted Fund is perpetual in nature and restricts the use of income earned from those funds for programs and books and media focused on the history and heritage of Central Vermont with an emphasis on gardening, granite, and architecture.

The following is a summary of activity in the Don Allen Donor Restricted account for the year then ended June 30, 2022:

Don Allen investments at fair value – beginning of year	\$436,353
Increase or (decrease) in fair value of investments	(208,828)
Earnings/losses net of expenses	36,490
New contributions into this account during the year	<u>1,000,000</u>
Investments at fair value – end of year	<u>\$1,264,015</u>

The balance of net assets with donor restrictions as to time and/or purpose as of June 30, 2022 is as follows:

Donor restricted funds in general checking account:	
George reading room and summer performances	\$7,860
Donor restricted funds in APL Donor Restricted Fund:	
Karen lane Legacy Fund	11,880
Pickwick statue maintenance	7,521
Locke writing contest	<u>2,021</u>
Total APL Donor Restricted Fund	<u>21,422</u>
Total Donor Restrictions as to time and/or purpose	<u>\$29,282</u>

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NOTE 7. THE RONALD YORK FUND

The Ronald York Fund was established in 2011 with a \$1,200,000 contribution from the Ronald York Estate; additional contributions have been received from the Estate since then. While the use of these funds is completely unrestricted, the Trustees have designated them as a quasi-endowment, and manage them in accordance with UPMIFA as described above in Note 6.

The following is a summary of activity in the York account for the year ended June 30, 2022.

York investments at fair value – beginning of year	\$1,606,970
Increase or (decrease) in fair value of investments	(247,659)
Earnings/losses net of expenses	56,082
New contributions into this account during the year	127,274
Distribution to Library	<u>(60,000)</u>
York investments at fair value - end of year	<u>\$1,482,667</u>

NOTE 8. OTHER TRUST FUND INCOME

The accompanying financial statements do not include funds held in trust by an outside trustee. According to its governing document, this fund could cease to pay income to the Aldrich Public Library if the Barre City contribution falls below an amount equal to 25 percent of operating expenses of the library, which has happened previously. Although there have been shortfalls in the City's 25% contribution to the Library's operating expense before, management believes that this funding is probably not in jeopardy. The Barre City contribution was 36.82% of operating expenses for 2022.

NOTE 9. CONCENTRATION OF REVENUE

The library received 78.2% of its operating revenue from the surrounding cities and towns as support for services provided to the community members located in those towns for the year ended June 30, 2022.

NOTE 10. 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 3% of wages to the plan each year for covered employees, and those employees will contribute no less than 3% 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 retirement expense for the year ending June 30, 2022 was \$6,638.

NOTE 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Library has \$208,698 of cash available within one year of the balance sheet date to meet cash needs for general expenditures. Cash includes \$7,560 earmarked for the George Reading Room and \$300 earmarked for the summer performance series. APL maintains cash on hand to meet 90 days of normal operating expenses, approximately \$174,500. The Library's policy is to structure its financial assets so that they are available as general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, APL has the York Fund, Donald Allen Board Designated Fund, and APL Designated Trust Fund available in the event of financial distress or an immediate liquidity emergency resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. Please see notes 6 and 7 regarding the York and APL Designated Trust funds.

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NOTE 12. COVID-19

On March 11, 2020 the World Health Organization characterized Covid-19 as a pandemic. In addition, as of March 24, 2020 Governor Phil Scott ordered the closure of the physical location of every non-essential business and did not begin to relax the “Stay Home, Stay Safe” order until May 15, 2020. In response the Library was closed through June 30, 2020 with most or some employees working from home and calls transferred to their home offices. The Library increased its e-book and audio book collection and offered on-line story times and programs. Staff made the book catalogue available on-line, and curbside pick-up began the end of June 2020. APL opened the library for computer use by reservation in July 2021 for 1-hour periods followed by a cleaning break before the computer was again available. As conditions improved walk-in computer use was also allowed for 1-hour periods. By mid-August 2021 the Library was completely open on all floors, and computers were available without reserving time. The Library asked patrons to limit their time and wear a mask, but the policy was not enforced. The Library also received grants to staff outdoor summer children’s programs in July and August of 2021. The Library purchased two large double canopy tents that it has used for summer programming in the summers.

Covid-19 has also affected business continuity including supply chains, and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 13. PAYCHECK PROTECTION PROGRAM

The Library applied for and received a \$78,527 second loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to Covid-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are deferred for 10 months after the end of the covered period for the borrower’s loan forgiveness, and borrowers who apply for loan forgiveness will have loan payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender. The loan is uncollateralized and is fully guaranteed by the Federal government.

The Library accounted for the loan as a conditional contribution and recorded a current liability for a refundable advance until November 5, 2021 when the loan was explicitly forgiven by the SBA and recorded as other revenue.

APL’s first PPP loan of \$86,900 was forgiven on March 26, 2021 and is recorded in the financial statement under other revenue.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 3, 2022 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 15. STATEMENT OF FUNCTIONAL EXPENSE

The Statement of Functional Expenses for the year ended June 30, 2021 has been restated for certain accounts that are directly allocated to the appropriate functional expense. Books and Media and Library Program expenses have been directly allocated to program expense. Accounting and Attest Services has been directly allocated to Management & General, and Fundraising Expense has been directly allocated to Fundraising.