

**ALDRICH PUBLIC LIBRARY  
ACCOUNTANTS' REVIEW REPORT  
AND FINANCIAL STATEMENTS  
JUNE 30, 2020**

Osterman, Sancibrian & Burke, PC  
192 S. Main Street, PO Box 793  
Barre, Vermont 05641  
(802) 479-3667

*A member of the American Institute and Vermont Society of CPAs.*

# Osterman, Sancibrian & Burke, PC

192 S. Main Street, PO Box 793  
Barre, Vermont 05641  
Fax 479-5051

Debra U. Burke, CPA      Tel. 476-9698  
Nicole Sancibrian, CPA      Tel. 476-0680

[Deb@osbcpa.com](mailto:Deb@osbcpa.com)  
[Nicole@nsancibrian CPA.com](mailto:Nicole@nsancibrian CPA.com)

---

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Aldrich Public Library (a Vermont non-profit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of revenue, expenses and changes in nets assets, 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 the organization's 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 the 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 the 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 issued 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.

### **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.

ALDRICH PUBLIC LIBRARY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020

ASSETS		2020	2019
<b>CURRENT ASSETS:</b>			
Cash			
General checking account (NSB)	\$	199,357	\$ 178,752
Book fund checking account (Com. Natl Bank)		5,347	7,041
Incentive fund - savings (VSECU)		26	26
Fines and fees (petty cash)		115	115
Total cash		<u>204,845</u>	<u>185,934</u>
Prepaid expense		7,562	13,805
Total current assets		<u>212,407</u>	<u>199,739</u>
<b>OTHER ASSETS:</b>			
Land, buildings, improvements, furnishings and equipment		2,574,136	2,553,805
Accumulated depreciation		<u>(593,830)</u>	<u>(557,215)</u>
Net land, buildings, improvements, furnishings and equipment		1,980,306	1,996,590
Pickwick sculpture (at cost)		25,000	25,000
Investments			
Aldrich Public Library Trust - Board Designated		651,219	-
Aldrich Public Library Trust - Donor Restricted		239,477	-
Aldrich Public Library Trust		-	918,213
Ronald York Fund		<u>1,400,475</u>	<u>1,425,430</u>
Total investments at fair market value		2,291,171	2,343,643
Total other assets		<u>4,296,477</u>	<u>4,365,233</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 4,508,884</u></u>	<u><u>\$ 4,564,972</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$	24,783	\$ 90,322
Accrued expenses		32,713	55,030
Refundable advance - Payroll Protection Program		86,900	-
Total current liabilities		<u>144,396</u>	<u>145,352</u>
<b>NET ASSETS:</b>			
Without donor restrictions			
Undesignated		60,451	54,387
Designated by the Board for operating reserve		1,400,475	1,425,430
Designated by the Board per APL investment policy (Note 6)		651,219	660,260
Invested in property and equipment, net of related debt		<u>2,005,306</u>	<u>2,021,590</u>
Total net assets without donor restrictions		4,117,451	4,161,667
With donor restrictions			
Perpetual in nature		244,000	244,000
Purpose restrictions		24,960	13,953
Underwater endowments (Note 13)		<u>(21,923)</u>	<u>-</u>
Total net assets with donor restrictions		247,037	257,953
<b>TOTAL NET ASSETS</b>		<u>4,364,488</u>	<u>4,419,620</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 4,508,884</u></u>	<u><u>\$ 4,564,972</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, 2020  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 (Summarized)</u>
<b>OPERATING REVENUE:</b>				
City and Town support	\$ 401,550	\$ -	\$ 401,550	\$ 386,000
Public support	151,808	10,000	161,808	391,625
Circulation desk	5,097	-	5,097	6,253
Rental income	175	-	175	500
Satisfaction of temporary restrictions	20,916	(20,916)	-	-
Total unrestricted operating revenue	579,546	(10,916)	568,630	784,378
<b>OPERATING EXPENSES:</b>				
Library operations:				
Payroll and payroll taxes	368,262	-	368,262	367,925
Employee insurance	36,866	-	36,866	29,333
Employee retirement	6,697	-	6,697	7,967
Publicity	178	-	178	1,900
Office supplies, postage and miscellaneous	14,684	-	14,684	11,847
Books and media	33,799	-	33,799	42,197
Accounting and attest services	20,522	-	20,522	16,683
Technology expense	12,873	-	12,873	8,726
Library program expenses	6,766	-	6,766	7,058
Licenses, dues and memberships	3,231	-	3,231	1,614
Professional development	343	-	343	343
Fundraising expenses	3,721	-	3,721	9,008
Library buildings:				
Heat, electricity, water, telephone	35,170	-	35,170	41,726
Insurance	5,372	-	5,372	6,718
Contracted cleaning	19,354	-	19,354	21,066
Repair and maintenance	11,733	-	11,733	18,357
Depreciation	36,615	-	36,615	30,740
Grant expense	4,174	-	4,174	362
Total operating expenses	620,360	-	620,360	623,570
<b>OPERATING INCOME (LOSS)</b>	<b>(40,814)</b>	<b>(10,916)</b>	<b>(51,730)</b>	<b>160,808</b>
<b>OTHER REVENUE:</b>				
Interest, dividends and realized gains or losses (net of investment expense)	83,295	-	83,295	40,208
Additional contribution received from E. Campbell Fund	28,202	-	28,202	26,856
Market value (losses)/gains on investments	(114,899)	-	(114,899)	77,523
Net other revenue	(3,402)	-	(3,402)	144,587
<b>INCREASE OR (DECREASE) IN NET ASSETS</b>	<b>(44,216)</b>	<b>(10,916)</b>	<b>(55,132)</b>	<b>305,395</b>
<b>NET ASSETS - beginning of year</b>	<b>4,161,667</b>	<b>257,953</b>	<b>4,419,620</b>	<b>4,114,225</b>
<b>NET ASSETS - end of year</b>	<b>\$ 4,117,451</b>	<b>\$ 247,037</b>	<b>\$ 4,364,488</b>	<b>\$ 4,419,620</b>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR YEAR ENDED JUNE 30, 2020

	<u>Total</u>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>
OPERATING EXPENSES:				
Library operations:				
Payroll & payroll taxes	\$ 368,262	\$ 261,614	\$ 90,813	\$ 15,835
Employee insurance	36,866	26,190	9,091	1,585
Employee retirement	6,697	4,758	1,651	288
Publicity	178	126	44	8
Office supplies, postage, miscellaneous	14,684	10,432	3,621	631
Books and media	33,799	24,011	8,335	1,453
Accounting and attest services	20,522	14,579	5,061	882
Technology expense	12,873	9,145	3,174	554
Library program expenses	6,766	4,807	1,668	291
Licenses, dues and memberships	3,231	2,295	797	139
Professional development	343	243	85	15
Fundraising expenses	3,721	2,643	918	160
Heat, electricity, water, telephone	35,170	24,985	8,673	1,512
Insurance	5,372	3,816	1,325	231
Contracted cleaning	19,354	13,749	4,773	832
Repair and maintenance	11,733	8,335	2,893	505
Depreciation	36,615	26,012	9,029	1,574
Grant expense	4,174	4,174	-	-
Total operating expenses	<u>\$ 620,360</u>	<u>\$ 441,914</u>	<u>\$ 151,951</u>	<u>\$ 26,495</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR YEAR ENDED JUNE 30, 2019

	<u>Total</u>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>
OPERATING EXPENSES:				
Library operations:				
Payroll & payroll taxes	\$ 367,925	\$ 261,374	\$ 90,730	\$ 15,821
Employee insurance	29,333	20,838	7,234	1,261
Employee retirement	7,967	5,660	1,964	343
Publicity	1,900	1,350	468	82
Office supplies, postage, miscellaneous	11,847	8,416	2,922	509
Books and media	42,197	29,977	10,406	1,814
Accounting and attest services	16,683	11,852	4,114	717
Technology expense	8,726	6,199	2,152	375
Library program expenses	7,058	5,014	1,741	303
Licenses, dues and memberships	1,614	1,147	398	69
Professional development	343	244	84	15
Fundraising expenses	9,008	6,400	2,221	387
Heat, electricity, water, telephone	41,726	29,642	10,290	1,794
Insurance	6,718	4,772	1,657	289
Contracted cleaning	21,066	14,965	5,195	906
Repair and maintenance	18,357	13,041	4,527	789
Depreciation	30,740	21,838	7,580	1,322
Grant expense	362	257	89	16
Total operating expenses	<u>\$ 623,570</u>	<u>\$ 442,986</u>	<u>\$ 153,772</u>	<u>\$ 26,812</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY  
STATEMENT OF CASH FLOWS  
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets for year	\$ (55,132)	\$ 305,395
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Add back:		
Depreciation (a non-cash expense)	36,615	30,740
Decrease in accounts receivable	-	27,949
(Increase)/decrease in prepaid expenses	6,243	(12,930)
Increase/(decrease) in accounts payable	(65,539)	67,738
Increase/(decrease) in accrued expenses	(22,317)	33,570
Increase/(decrease) in PPP cash advance	86,900	-
Other revenue and expenses (non-operating, from page 3):		
Cash additions to investments	(16,419)	(148,560)
Unrealized (gains) or losses on investments	114,899	(77,523)
Realized (gains) or losses on investments	(42,733)	713
Reinvested interest and dividends included in income (net of investment expense)	(83,295)	(40,507)
Net cash provided (used) by operating activities	<u>(40,778)</u>	<u>186,585</u>
Cash flow from investing activities:		
Cash payments for the purchase of property	(20,311)	(171,009)
Withdrawals from investment accounts	80,000	80,000
Net cash provided by investing activities	<u>59,689</u>	<u>(91,009)</u>
Total increase or (decrease) in cash for year	18,911	95,576
Cash - beginning of year	<u>185,934</u>	<u>9,038</u>
Cash - end of year	<u>\$ 204,845</u>	<u>\$ 185,934</u>

See accompanying notes and independent accountants' review report.

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

Aldrich Public Library 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 that 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, 2020

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, 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. With the exception of 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* - As of July 1, 2019 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, 2017, 2018, 2019, and 2020 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, 2020

NOTE 2. CASH

Balances held on June 30, 2020 are as follows:

	Book Balance	Bank Balance
Insured (FDIC)	\$204,845	\$212,165

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

At June 30, 2020, "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	36,450	8,550
Town of Barre	20	23,300	23,300	-
Building improvements:				
City of Barre	10-99	2,308,908	432,799	1,876,109
Town of Barre	10-15	117,001	50,719	66,282
Furnishings and equipment	5-10	<u>72,527</u>	<u>50,562</u>	<u>21,965</u>
Totals		<u>\$2,574,136</u>	<u>\$593,830</u>	<u>\$1,980,306</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> <u>6/30/2019</u>	<u>Additions</u>	<u>Depreciation</u> <u>Expense</u>	<u>Balance</u> <u>6/30/2020</u>
Land	\$ 7,400	\$ -	\$ -	\$ 7,400
Buildings	8,550	-	-	8,550
Building improvements	1,965,847	-	(30,657)	1,935,190
Furnishings and equipment	14,793	20,331	(5,958)	29,166
	<u>\$1,996,590</u>	<u>\$ 20,331</u>	<u>\$(36,615)</u>	<u>\$1,980,306</u>

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 4. INVESTMENTS

The cost and fair value as of June 30, 2020 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	Fair Value Over (Under) <u>Cost</u>
<b>APL TRUST - BOARD DESIGNATED</b>			
Cash and cash equivalents	\$ 53,724	\$ 53,724	\$ -
Certificates of deposit	130,000	130,000	-
ETF-fixed income	48,546	51,940	3,394
Mutual funds	153,227	155,066	1,839
Equities	<u>204,430</u>	<u>260,489</u>	<u>56,059</u>
TOTAL	<u>589,927</u>	<u>651,219</u>	<u>61,292</u>
<b>APL TRUST - DONOR RESTRICTED</b>			
Cash and cash equivalents	18,523	18,523	-
ETF-fixed income	31,996	34,086	2,090
Mutual funds	88,182	89,017	835
Equities	<u>89,834</u>	<u>97,851</u>	<u>8,017</u>
TOTAL	228,535	239,477	10,942
<b>RONALD YORK FUND</b>			
Cash and cash equivalents	58,549	58,549	-
Certificates of deposit	354,940	354,940	-
EFT-fixed income	64,793	69,370	4,577
Mutual funds	260,111	263,002	2,891
Equities	<u>636,684</u>	<u>654,614</u>	<u>17,930</u>
TOTAL	<u>1,375,077</u>	<u>1,400,475</u>	<u>25,398</u>
<b>TOTAL INVESTMENTS</b>	<u>\$2,193,539</u>	<u>\$2,291,171</u>	<u>\$ 97,632</u>

For the year ended June 30, 2020, unrealized losses were \$(114,899). The unrealized gain for the year ended June 30, 2019 was \$77,523

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).

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.

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 5. FAIR VALUE MEASUREMENT (continued)

Investments carried at fair value on a recurring basis consist of the following as of June 30, 2020:

Financial Assets:	Total Fair Value
Cash and cash equivalents	\$ 130,796
Certificates of deposit	484,940
ETF-fixed income	155,396
Mutual funds	507,085
Equities	<u>1,012,954</u>
TOTAL	<u>\$2,291,171</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 time and or purpose related restrictions.

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.

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 for the year ended June 30, 2020. Donor Restricted funds were transferred out in January 2020, and this account became the Board Designated APL Trust account.

APL investments at fair value – beginning of year	\$ 918,213
Increase or (decrease) in fair value of investments	(100,155)
Earnings/losses net of expenses	42,256
Transfer out of account	(232,361)
New contributions into this account during the year	<u>23,266</u>
Investments at fair value - end of year	<u>\$ 651,219</u>

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 6. ENDOWMENT FUNDS – HELD IN INVESTMENTS (continued)

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 APL Donor Restricted Trust account for the year ended June 30, 2020. Donor Restricted funds were transferred into this account from the APL Trust account in January 2020 when the Board Designated and Donor Restricted funds were separated into two separate investment accounts.

APL Donor Restricted Trust – beginning of year	\$ -
Increase or (decrease) in fair value of investments	7,840
Earnings/losses net of expenses	19,331
Transfer out of account	(4,893)
New contributions into this account during the year	<u>217,199</u>
Investments at fair value - end of year	<u>\$ 239,477</u>

The donor and purpose restrictions for the APL Donor Restricted Trust at year end follows:

Net assets with donor restrictions of a perpetual nature	\$244,000
Net assets with donor restrictions as to purpose	17,400
Underwater investments	<u>(21,923)</u>
APL Donor Restricted Trust balance – end of year	<u>\$239,477</u>

All donor restrictions that are perpetual in nature allow the use of income earned from those funds to be used for purchases of books and media.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS AS TO PURPOSE

The balance of net assets with donor restrictions as to purpose as of June 30, 2020 is as follows:

Donor restricted funds in general checking account:	
George reading room	\$ 7,560
Donor restricted funds in APL Donor Restricted Trust:	
Pickwick statue maintenance	6,109
Locke writing contest	1,641
Preserving the building and collections	<u>9,650</u>
Total	<u>\$24,960</u>

NOTE 8. 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, 2020.

York investments at fair value – beginning of year	\$1,425,430
Increase or (decrease) in fair value of investments	(26,564)
Earnings/losses net of expenses	25,609
New contributions into this account during the year	36,000
Distribution to Library	<u>(60,000)</u>
York investments at fair value - end of year	<u>\$1,400,475</u>

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. 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 35.71% of operating expenses for 2020.

NOTE 10. CONCENTRATION OF REVENUE

The Library received 70.62% 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, 2020.

NOTE 11. 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 retirement expense for the year ending June 30, 2020 was \$6,697.

NOTE 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Library has \$204,845 of cash available within one year of the balance sheet date to meet cash needs for general expenditures. The cash includes \$7,560 earmarked for the George Reading Room and \$5,347 to be spent on books and media which are included in the Library's general expenditures. The Library has a goal to maintain cash on hand to meet 90 days of normal operating expenses, which are approximately \$156,000. The Library has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Library has the York 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.

NOTE 13. 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. Since then Vermont has remained under a state of emergency with various levels of restrictions in effect according to the rate of Covid-19 cases in the State.

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 at the East Barre Branch. Returned books are quarantined for six days, and patrons are not allowed to browse within the Library. Aldrich opened the library for computer use by reservation in July for 1 hour periods followed by a cleaning break before the computer is again available. Curbside pickup will be moving to the main library in Barre City for patron safety in the winter weather. In the meantime management has been studying and implementing air exchange, cleaning, fogging, and disinfecting procedures to keep employees and staff safe during the pandemic. Services and programming remain flexible and creative as the Library tries to expand programs and services and respond to various levels of threat according to the Covid-19 case rate in the region from week to week.

ALDRICH PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 13. COVID-19 (continued)

The response to Covid-19 has increased the operating budget for cleaning, purchasing personal protective equipment, cleaning supplies, and a ULV fogger as well as increased utility costs associated with heating and replacing the air within the Library every 24 hours.

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 during this time as described above. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to December 31, 2019, the investment and credit markets have experienced significant volatility. As a result, a portion of the Library's investments have experienced significant declines.

NOTE 14. PAYCHECK PROTECTION PROGRAM

The Library applied for and received an \$86,900 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.

Management expects to meet the PPP eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. Therefore, the Library accounted for the loan as a conditional contribution and recorded a current liability for a refundable advance until such time that the loan has been explicitly forgiven by the SBA.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 23, 2020 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.