

ALDRICH PUBLIC LIBRARY
AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2017

TABLE OF CONTENTS

| | <u>Page #</u> |
|----------------------------------|---------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Position | Exhibit A 3 |
| Statement of Activities | Exhibit B 4 |
| Statement of Functional Expenses | Exhibit C 5 |
| Statement of Cash Flows | Exhibit D 6 |
| Notes to Financial Statements | 7 - 12 |

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Aldrich Public Library
Barre, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Aldrich Public Library (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldrich Public Library as of June 30, 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended 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 9, 2018

ALDRICH PUBLIC LIBRARY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

Exhibit A

ASSETS

CURRENT ASSETS

| | |
|----------------------------|-----------|
| Cash | |
| General checking account | \$ 88,168 |
| Cash on hand | 115 |
| Incentive fund - savings | 25 |
| Book fund checking account | 9,241 |
| Total current assets | 97,549 |

OTHER ASSETS

| | |
|--|-----------|
| Building and Improvements | 2,323,202 |
| Land | 7,400 |
| Furnishings and equipment | 52,196 |
| Accumulated depreciation | (497,783) |
| Net land, buildings, improvements, furnishings and equipment | 1,885,015 |
| Pickwick sculpture (at cost) | 25,000 |

Investments:

| | |
|------------------------------|-----------|
| Aldrich Public Library Trust | 674,784 |
| Ronald York Fund | 1,380,408 |
| Total investments | 2,055,192 |

| | |
|--------------------|-----------|
| Total other assets | 3,965,207 |
|--------------------|-----------|

| | |
|--------------|--------------|
| Total assets | \$ 4,062,756 |
|--------------|--------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|-----------|
| Accounts payable and accrued expenses | \$ 31,122 |
| Total current liabilities | 31,122 |

NET ASSETS

| | |
|------------------------|-----------|
| Unrestricted | 3,780,421 |
| Temporarily restricted | 22,213 |
| Permanently restricted | 229,000 |
| Total net assets | 4,031,634 |

| | |
|----------------------------------|--------------|
| Total liabilities and net assets | \$ 4,062,756 |
|----------------------------------|--------------|

ALDRICH PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Exhibit B

| SUPPORT AND REVENUE | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|--------------|
| City and town support | \$ 377,000 | \$ 0 | \$ 0 | \$ 377,000 |
| Public support | 152,020 | 20,000 | 0 | 172,020 |
| Fines, reimbursements and other | 10,406 | 0 | 0 | 10,406 |
| Rental income | 500 | 0 | 0 | 500 |
| Interest and dividends, net of \$14,331 of investment expenses | 33,969 | 0 | 0 | 33,969 |
| Realized gain/(losses) on investments | 45,564 | 0 | 0 | 45,564 |
| Unrealized gains/(losses) on investments | 73,445 | 0 | 0 | 73,445 |
| Total | 692,904 | 20,000 | 0 | 712,904 |
| Satisfaction of temporary restrictions | 13,649 | (13,649) | 0 | 0 |
| Total support and revenue | 706,553 | 6,351 | 0 | 712,904 |
| EXPENSES | | | | |
| Program Services | 504,808 | 0 | 0 | 504,808 |
| Supporting Services | | | | |
| Management and General | 115,020 | 0 | 0 | 115,020 |
| Fundraising | 10,622 | 0 | 0 | 10,622 |
| Total supporting services | 125,642 | 0 | 0 | 125,642 |
| Total expenses | 630,450 | 0 | 0 | 630,450 |
| CHANGE IN NET ASSETS | 76,103 | 6,351 | 0 | 82,454 |
| NET ASSETS - JULY 1, 2016 (RESTATED) | 3,704,318 | 15,862 | 229,000 | 3,949,180 |
| NET ASSETS - JUNE 30, 2017 | \$ 3,780,421 | \$ 22,213 | \$ 229,000 | \$ 4,031,634 |

ALDRICH PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

Exhibit C

| EXPENSES: | Total | Program Services | Management & General | Fundraising |
|--------------------------------|-------------------|---------------------|-------------------------|------------------|
| Payroll and payroll taxes | \$ 331,088 | \$ 264,870 | \$ 62,907 | \$ 3,311 |
| Employee insurance | 41,295 | 33,036 | 7,846 | 413 |
| Employee retirement | 5,738 | 4,591 | 1,090 | 57 |
| Advertising | 1,734 | 1,387 | 330 | 17 |
| Office | 18,603 | 14,882 | 3,535 | 186 |
| Books and media | 51,238 | 51,238 | 0 | 0 |
| Contracted bookkeeping | 9,050 | 0 | 9,050 | 0 |
| Technology | 11,206 | 10,085 | 1,121 | 0 |
| Public programs | 11,196 | 11,196 | 0 | 0 |
| Licenses, dues and memberships | 4,667 | 4,667 | 0 | 0 |
| Professional development | 1,929 | 0 | 1,929 | 0 |
| Fundraising expenses | 6,638 | 0 | 0 | 6,638 |
| Utilities | 39,157 | 31,326 | 7,831 | 0 |
| Insurance | 4,642 | 3,714 | 928 | 0 |
| Contracted cleaning | 24,221 | 19,377 | 4,844 | 0 |
| Repair and maintenance | 37,312 | 29,850 | 7,462 | 0 |
| Depreciation | 30,736 | 24,589 | 6,147 | 0 |
| Total expenses | <u>\$ 630,450</u> | <u>\$ 504,808</u> | <u>\$ 115,020</u> | <u>\$ 10,622</u> |

ALDRICH PUBLIC LIBRARY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

Exhibit D

| | |
|---|------------------|
| CASH FLOWS FROM (TO) OPERATING ACTIVITIES: | |
| Change in net assets | \$ 82,454 |
| Adjustments to reconcile change in net assets to cash from operating activities: | |
| Depreciation | 30,736 |
| Unrealized (gains) or losses on investments | (73,445) |
| Realized (gains) or losses on investments | (45,564) |
| Increase (Decrease) in accounts payable | 10,715 |
| Net cash from operating activities | <u>4,896</u> |
| CASH FLOWS FROM (TO) INVESTING ACTIVITIES: | |
| Proceeds from sale of investments | 69,331 |
| Purchase of investments | <u>(66,300)</u> |
| Net cash from investing activities | <u>3,031</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 7,927 |
| CASH AND CASH EQUIVALENTS - JULY 1, 2016 | <u>89,622</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2017 | <u>\$ 97,549</u> |

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017
(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, 2017 are as follows:

| | Book Balance | Bank Balance |
|----------------|------------------|-------------------|
| Insured (FDIC) | <u>\$ 97,409</u> | <u>\$ 106,681</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, 2017
(Continued)

NOTE 3 - INVESTMENTS

The cost and fair value at June 30, 2017 are as follows:

| | Cost | Fair Value | Fair Value Over (Under) Cost |
|---------------------------|---------------------|---------------------|------------------------------------|
| Cash and cash equivalents | \$ 69,793 | \$ 69,793 | \$ 0 |
| Certificate of deposit | 670,000 | 670,459 | 459 |
| Government bonds | 70,000 | 71,660 | 1,660 |
| Mutual funds | 221,624 | 220,568 | (1,056) |
| Equities | 655,736 | 1,022,712 | 366,976 |
| | <u>\$ 1,687,153</u> | <u>\$ 2,055,192</u> | <u>\$ 368,039</u> |

For the year ended June 30, 2017, unrealized gains were \$100,445.

NOTE 4 – FAIR VALUE MEASUREMENT

For 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, 2017

(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, 2017:

| | <u>Level 1</u> |
|---------------------------|---------------------|
| Assets: | |
| Cash and cash equivalents | \$ 69,793 |
| Certificate of deposit | 670,459 |
| Governmental bonds | 71,660 |
| Mutual funds | 220,568 |
| Equities | 1,022,712 |
| Total | <u>\$ 2,055,192</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, 2017

(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, 2017 are all located in permanently restricted assets for \$229,000. There were no changes in endowment net assets as of June 30, 2017.

NOTE 6 – CONCENTRATION OF REVENUE

The Library receives 52% 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 2017 were \$286,900 and the Library contributions for 2017 were \$5,738.

NOTE 8 – RESTRICTED NET ASSETS

The balance of temporarily restricted net assets as of June 30, 2017 is as follows:

| | |
|---|------------------|
| Design services for renovation | \$ 6,351 |
| Landscaping | 500 |
| Preserving the building and collections | 7,466 |
| Pickwick statue maintenance | 5,896 |
| Writing contest | <u>2,000</u> |
| Total temporary restrictions | <u>\$ 22,213</u> |

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

ALDRICH PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(Continued)

NOTE 9 – RESTATEMENT OF BEGINNING NET ASSETS

A prior period adjustment was made to reflect permanently restricted assets held in investment and additional temporary restricted assets that were not reported as restricted in prior period financial statements. The additional permanent restrictions were due to donor restrictions that allow income to be used for books and media purchases. The additional temporary restrictions were due to donations to help maintain the Pickwick Statue that were reported as unrestricted in past statements.

| | June 30, 2016 Originally Stated | Prior Period Adjustment | June 30, 2016 Restated |
|-----------------------------------|------------------------------------|----------------------------|---------------------------|
| Unrestricted net assets | \$ 3,909,714 | \$ (205,396) | \$ 3,704,318 |
| Temporarily restricted net assets | 9,966 | 5,896 | 15,862 |
| Permanently restricted net assets | 29,500 | 199,500 | 229,000 |
| Total net assets | <u>\$ 3,949,180</u> | <u>\$ 0</u> | <u>\$ 3,949,180</u> |

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2018, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.