

WESTPORT LIBRARY ASSOCIATION, INC.

Independent Auditors' Report

Financial Statements

June 30, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Westport Library Association, Inc.

Opinion

We have audited the accompanying financial statements of Westport Library Association, Inc. (the "Library") (a 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Westport Library Association, Inc.'s 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated September 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hartford, Connecticut
September 20, 2022

WESTPORT LIBRARY ASSOCIATION, INC.

Statement of Financial Position

June 30, 2022

(with comparative totals for June 30, 2021)

	2022			2021 Total
	Operating	Investment Fund	Total	
Assets				
Cash	\$ 721,718	\$ 705,751	\$ 1,427,469	\$ 2,587,393
Marketable securities	285,637	5,171,191	5,456,828	5,043,623
Certificates of deposit	-	-	-	450,000
Promises to give, net	-	97,632	97,632	153,433
Other assets	34,349	-	34,349	7,685
Fixed assets, net	18,339,397	-	18,339,397	19,280,135
Total assets	<u>\$ 19,381,101</u>	<u>\$ 5,974,574</u>	<u>\$ 25,355,675</u>	<u>\$ 27,522,269</u>
Liabilities and Net Assets				
Accounts payable	\$ 215,089	\$ 3,522	\$ 218,611	\$ 221,173
Accrued expenses	694,126	-	694,126	1,066,257
Due (to)/from	53,158	(53,158)	-	-
Notes payable	52,027	-	52,027	76,601
Total liabilities	<u>1,014,400</u>	<u>(49,636)</u>	<u>964,764</u>	<u>1,364,031</u>
Net assets:				
Net assets without donor restrictions	18,366,701	4,024,388	22,391,089	23,811,203
Net assets with donor restrictions	-	1,999,822	1,999,822	2,347,035
Total net assets	<u>18,366,701</u>	<u>6,024,210</u>	<u>24,390,911</u>	<u>26,158,238</u>
Total liabilities and net assets	<u>\$ 19,381,101</u>	<u>\$ 5,974,574</u>	<u>\$ 25,355,675</u>	<u>\$ 27,522,269</u>

The accompanying notes are an integral part of the financial statements.

WESTPORT LIBRARY ASSOCIATION, INC.

Statement of Activities

For the year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022				2021 Total
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		
	Operating	Investment Fund	Investment Fund	Total	
Revenue and Support					
Town appropriation	\$ 4,817,653	\$ -	\$ -	\$ 4,817,653	\$ 4,819,844
Contributions	50,000	272,200	272,648	594,848	814,596
Grants	18,597	-	-	18,597	18,919
Fees	70,450	-	-	70,450	36,346
Investment income	(15,500)	(460,637)	(276,435)	(752,572)	1,116,014
Café and retail sales, net of expenses of \$261,016 and \$100,872, for 2022 and 2021	(52,658)	-	-	(52,658)	(74,748)
Special events, net of expenses of \$76,508 and \$58,370, for 2022 and 2021	-	320,529	-	320,529	238,626
Miscellaneous income	80,208	21,258	69,937	171,403	86,368
Net assets released from restrictions	571,625	(158,262)	(413,363)	-	-
Total revenue and support	5,540,375	(4,912)	(347,213)	5,188,250	7,055,965
Expenses					
Program	5,091,745	257,477	-	5,349,222	5,013,924
Management and general	1,556,981	16,761	-	1,573,742	1,696,495
Fundraising	-	32,613	-	32,613	58,868
Total expenses	6,648,726	306,851	-	6,955,577	6,769,287
Total change in net assets before other income	(1,108,351)	(311,763)	(347,213)	(1,767,327)	286,678
Other Income					
Forgiveness of debt - Paycheck Protection Program	-	-	-	-	981,100
Change in net assets	(1,108,351)	(311,763)	(347,213)	(1,767,327)	1,267,778
Net assets, beginning of year	19,475,052	4,336,151	2,347,035	26,158,238	24,890,460
Net assets, end of year	\$ 18,366,701	\$ 4,024,388	\$ 1,999,822	\$ 24,390,911	\$ 26,158,238

The accompanying notes are an integral part of the financial statements.

WESTPORT LIBRARY ASSOCIATION, INC.

Statement of Functional Expenses

For the year ended June 30, 2022

(with comparative totals for the year ended June 30, 2021)

	2022										Total 2021
	Program			Management and General			Fundraising			Total Expenses	
	Operating	Investment Fund	Total	Operating	Investment Fund	Total	Operating	Investment Fund	Total		
Salaries	\$ 2,628,848	\$ -	\$ 2,628,848	\$ 639,306	\$ -	\$ 639,306	\$ -	\$ -	\$ -	\$ 3,268,154	\$ 3,181,318
Benefits	313,396	-	313,396	169,073	-	169,073	-	-	-	482,469	473,139
Payroll taxes	193,265	-	193,265	48,938	-	48,938	-	-	-	242,203	230,903
Professional fees	-	-	-	150,102	1,483	151,585	-	17,956	17,956	169,541	144,836
Office expense	31,646	3,579	35,225	32,783	-	32,783	-	9,776	9,776	77,784	63,750
Occupancy	309,654	-	309,654	118,213	-	118,213	-	-	-	427,867	381,700
Travel	-	-	-	35,122	-	35,122	-	300	300	35,422	9,218
Conference	1,165	-	1,165	18,245	-	18,245	-	-	-	19,410	9,236
Interest	-	-	-	2,952	-	2,952	-	-	-	2,952	20,487
Depreciation	796,817	-	796,817	143,921	-	143,921	-	-	-	940,738	923,197
Materials and programs	565,113	253,898	819,011	15,528	-	15,528	-	427	427	834,966	937,985
Insurance	-	-	-	136,506	-	136,506	-	-	-	136,506	122,751
Information technology	216,608	-	216,608	-	-	-	-	-	-	216,608	203,769
Miscellaneous	35,233	-	35,233	46,292	15,278	61,570	-	4,154	4,154	100,957	66,998
	<u>\$ 5,091,745</u>	<u>\$ 257,477</u>	<u>\$ 5,349,222</u>	<u>\$ 1,556,981</u>	<u>\$ 16,761</u>	<u>\$ 1,573,742</u>	<u>\$ -</u>	<u>\$ 32,613</u>	<u>\$ 32,613</u>	<u>\$ 6,955,577</u>	<u>\$ 6,769,287</u>

The accompanying notes are an integral part of the financial statements.

WESTPORT LIBRARY ASSOCIATION, INC.

Statement of Cash Flows

For the year ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	2022		Total 2021
	Operating	Investment Fund	
Cash flows from operating activities:			
Change in net assets	\$ (1,108,351)	\$ (658,976)	\$ (1,767,327)
Adjustments to reconcile change in net assets to net change in cash from operating activities:			
Depreciation	940,738	-	940,738
Proceeds from sale of investments from donors	-	56,699	56,699
Unrealized (gains)/losses on investments	28,794	891,195	(1,044,143)
Forgiveness of debt	-	-	(981,100)
(Increase)/decrease in assets:			
Promises to give, net	-	55,801	55,801
Other assets	(26,664)	-	(26,664)
Increase/(decrease) in liabilities:			
Accounts payable	64,853	(67,415)	66,499
Accrued expenses	(372,131)	-	(372,131)
Due to/from	358,171	(358,171)	-
Net change in cash from operating activities	(114,590)	(80,867)	(195,457)
Cash flows from investing activities:			
Purchases of fixed assets	-	-	(78,977)
Proceeds from sales of marketable securities and maturities of certificates of deposit	551,136	1,229,952	1,781,088
Purchase of marketable securities and certificates of deposit	(615,567)	(2,105,414)	(559,500)
Net change in cash from investing activities	(64,431)	(875,462)	(939,893)
Cash flows from financing activities:			
Repayments of note payable	(24,574)	-	(493,305)
Change in cash	(203,595)	(956,329)	(1,159,924)
Cash, beginning of year	925,313	1,662,080	2,414,219
Cash, end of year	\$ 721,718	\$ 705,751	\$ 1,427,469
Supplemental Information:			
Interest paid		\$ 2,952	\$ 20,487

The accompanying notes are an integral part of the financial statements.

WESTPORT LIBRARY ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 – ORGANIZATION

The purpose of the Westport Library Association, Inc. (“Library”) is to establish and maintain a public library for the benefit of the residents of the Town of Westport, Connecticut and the community at large.

The Library is committed to empowering the individual and strengthening the community by stimulating intellectual curiosity, encouraging lifelong learning and providing a creative environment for the open and lively exchange of information and ideas.

The Library’s Investment Fund was originally established to account for all donations received in connection with the construction of a new library building - the Library’s current building, completed in 1986, and its expansion, completed in 1998. Since completion of construction, remaining funds have been invested under the guidance of the Library’s Board of Trustees. The Investment Fund also invests the net proceeds of annual fundraisers and events held to benefit the Library. A substantial portion of funds raised and the income from investments is transferred to the Library’s operating account for use in paying operating expenses of the Library. Restricted contributions are accounted for and spent in accordance with the intention designated by the donor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting.

Basis of Presentation – Financial statement presentation follows the requirements of the *Financial Statements of Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification. Following these requirements, the Library reports information regarding its financial position and activities according to the following net assets categories:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Library. These net assets may be used at the discretion of the Library’s management and the Board of Trustees.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions will be met by actions of the Library or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – The Library maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Library has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Marketable Securities and Certificates of Deposit – Marketable securities and certificates of deposit are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement – The Library follows the Fair Value Measurements topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These levels are:

Level 1 – Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

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 fair values are therefore determined using model-based techniques, that include option pricing models, discounted cash flow models, and similar techniques.

There were no changes in the valuation methodologies used for assets measured at fair value at June 30, 2022 and 2021.

Endowment Investment and Spending Policy – The Library has adopted an Endowment Investment and Spending Policy. The investment objective is to maximize its long-term rate of return while maintaining a reasonable level of risk. The Library targets a diversified asset allocation by setting an aggregate exposure of 60% equities, 30% fixed income, and 10% real assets which are commodities and real estate. The Library’s spending policy states that the spending rate is generally to be 5% of the Endowment’s total assets measured each June 30th based on the three-year moving average of the market value of the Endowment, taking into consideration the estimated total investment return, the estimated rate of inflation, and the operating needs of the Library.

The Library follows the Not-for-Profit Entities topic of the FASB Accounting Standards Codification, (“FASB ASC 958”) which describes the information that needs to be disclosed regarding its endowment funds. The topic requires certain minimum disclosures that are the description of the Library’s spending policy, as well as its endowment investment policies. It also requires the following disclosures regarding the composition of the Library’s endowment by net asset class and a reconciliation of the beginning and ending balance of the Library’s endowment.

Fixed Assets – Fixed assets are capitalized at cost. It is the Library's policy to capitalize property and equipment over \$1,000. Lesser amounts are charged to expenses when incurred. Fixed assets are depreciated over the estimated useful lives of the related assets, which range from three to forty years. Depreciation is computed using the straight-line method.

Collections – In conformity with practices followed by libraries, certain works of art, books, and historical treasures that have been donated and are held for exhibition, education, research, or public service have not been capitalized. These collections are neither disposed of for financial gain nor encumbered in any way. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Proceeds received from the sale of books may be used for the acquisition of new books.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Grants may be considered exchange transactions or conditional/unconditional promises to give. The Library recognizes grants deemed to be exchange transactions once the performance obligations are met. Grants considered to be unconditional promises to give are recognized when awarded. Grants considered to be conditional promises to give are recognized when the conditions are met. Failure to fulfill the conditions could result in the return of funds to the grantor. The Library has not been informed by any agencies of any funds which are required to be returned.

All town appropriations and contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support within the net asset class of those with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported in the net assets without donor restrictions category.

Contributed Services – The Library recognizes donated services if they create or enhance non-financial assets or require specialized skills that would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements, however, a number of unpaid volunteers have made significant contributions of their time to the Library.

Tax Status – The Library is a not-for-profit organization as described under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal or state income taxes. In addition, the Library qualifies for the charitable contribution deduction as provided in Section 170 of the Internal Revenue Code.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Functional Allocation of Expense – The financial statements report certain categories of expenses that are attributable to one or more program functions of the Library. Salaries, payroll taxes, and benefits are allocated by time and effort. Occupancy and depreciation are allocated by square footage. All other costs are direct costs.

Subsequent Events Measurement Date – The Library monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2022 through September 20, 2022, the date on which financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The following represents the Library’s financial assets available to meet general expenditures over the next twelve months at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 1,427,469	\$ 2,587,393
Marketable securities	5,456,828	5,043,623
Certificates of deposit	-	450,000
Promises to give, net	97,632	153,433
Total financial assets	<u>6,981,929</u>	<u>8,234,449</u>
Less amounts not available to be used within twelve months:		
Promises to give due greater than one year	(63,942)	(86,500)
Net assets with donor restrictions - program	(944,603)	(1,085,952)
Net assets with donor restrictions - endowment earnings	(248,109)	(458,646)
Net assets with donor restrictions - capital project	(157,806)	(153,433)
Net assets with donor restrictions - held in perpetuity	<u>(649,304)</u>	<u>(649,004)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,918,165</u>	<u>\$ 5,800,914</u>

The Library’s goal is generally to maintain financial assets to meet twelve months of operating expenses. See Note 2 for the Library’s endowment investment and spending policy.

NOTE 4 – MARKETABLE SECURITIES

The following comprises the fair values of marketable securities at June 30,:

	<u>2022</u>	<u>2021</u>
Mutual funds:		
Short-Term Bond Index Fund Admiral	\$ 1,084,857	\$ 425,256
International Stock Index Fund Admiral	1,519,600	1,841,061
Bond Market Index Fund Admiral	753,594	639,651
Stock Market Index Fund Admiral	1,525,198	1,718,524
Multi-asset Pimco	573,301	418,867
Short term investments	278	264
Total	<u>\$ 5,456,828</u>	<u>\$ 5,043,623</u>

All marketable securities are valued using Level 1 inputs.

NOTE 5 – ENDOWMENT

The reconciliation of the Library’s endowment by net asset category is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, July 1, 2020	\$ 2,641,544	\$ 1,438,316	\$ 4,079,860
Investment return			
Interest and dividends	52,000	13,403	65,403
Realized and unrealized gains / (losses) on investments	596,160	447,983	1,044,143
Total investment return	648,160	461,386	1,109,546
Contributions	-	50	50
Appropriations for expenditures	(110,664)	(35,169)	(145,833)
Endowment, June 30, 2021	3,179,040	1,864,583	5,043,623
Investment return			
Interest and dividends	124,315	42,350	166,665
Realized and unrealized gains / (losses) on investments	(600,502)	(308,649)	(909,151)
Total investment return	(476,187)	(266,299)	(742,486)
Contributions	2,000,011	300	2,000,311
Appropriations for expenditures	(857,570)	(41,877)	(899,447)
Endowment, June 30, 2022	<u>\$ 3,845,294</u>	<u>\$ 1,556,707</u>	<u>\$ 5,402,001</u>

NOTE 6 – CERTIFICATES OF DEPOSIT

Certificates of deposit, which are held at a financial institution, are individually insured up to \$250,000. The certificates of deposits bear an interest rate of .05%. The certificates of deposit were \$450,000 at June 30, 2021 and matured during the year ended June 30, 2022. The certificates were not renewed during the year ended June 30, 2022.

NOTE 7 – PROMISES TO GIVE

The Library uses the allowance method to account for uncollectible receivables. The Library provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of the receivable. Management’s estimate is based on historical experience and its evaluation of the current status of the receivable.

Unconditional promises to give expected to be collected within one year are recorded at fair value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows, using the risk-free discount rate of 3%.

NOTE 7 – PROMISES TO GIVE (CONTINUED)

Promises to give consisted of the following at June 30,:

	2022	2021
Receivable in less than one year	\$ 38,925	\$ 67,792
Receivable in one to five years	63,942	86,500
Receivable in more than five years	-	12,500
	<u>102,867</u>	<u>166,792</u>
Less unamortized discount of 3%	(5,235)	(5,312)
Less: Allowance for uncollectible promises	-	(8,047)
Promises to give, net	<u>\$ 97,632</u>	<u>\$ 153,433</u>

NOTE 8 – FIXED ASSETS

Fixed assets consisted of the following at June 30,:

	2022	2021
Building improvements	\$ 19,263,705	\$ 19,263,705
Equipment	3,015,786	3,015,786
Less accumulated depreciation	(3,940,094)	(2,999,356)
	<u>\$ 18,339,397</u>	<u>\$ 19,280,135</u>

The Library leases land from the Town of Westport, Connecticut under a non-cancelable operating lease expiring April 2089, at an annual rent of \$1 due each July 1.

The Library has an agreement with the Town in which there is shared ownership of the Library building. The Library and Town have ownership interests of 77% and 23%, respectively. The building is fully depreciated and not recorded in the accompanying financial statements.

NOTE 9 – NOTES PAYABLE

The Library has a note payable with the Town of Westport, Connecticut. The terms of the note are a 3.85% interest rate with principal and interest payments of \$27,526 due annually until the note is paid in full in August 2023. The balance at June 30, 2022 and 2021 is \$52,027 and \$76,601, respectively.

The Library had a note payable with First County Bank (the “Bank”) up to \$5,000,000. The terms of the secured note were a 4.25% interest rate per annum with principal and interest payments of \$18,527 due monthly until the maturity date of June 29, 2024. The note was paid in full during the year ended June 30, 2021.

Future principal payments on the note payable are as follows for the years ending June 30,:

2023	\$ 25,521
2024	<u>26,506</u>
	<u>\$ 52,027</u>

NOTE 10 – NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM LOAN

During April 2020, the Library received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$981,100. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). The Library received notice of full forgiveness of the loan on January 22, 2021 and has recognized forgiveness of debt income in the 2021 statement of activities.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30,:

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Programs	\$ 944,603	\$ 1,085,952
Endowment Earnings	248,109	458,646
Capital Project	157,806	153,433
Total time and purpose restrictions	<u>1,350,518</u>	<u>1,698,031</u>
Held in perpetuity:		
Art Books	105,747	105,747
International Videos	14,000	14,000
Children's Library Programs	267,629	267,629
Books	141,000	141,000
Children's Art Books	20,928	20,628
Science Lectures	100,000	100,000
Total held in perpetuity	<u>649,304</u>	<u>649,004</u>
 Total net assets with donor restrictions	 <u>\$ 1,999,822</u>	 <u>\$ 2,347,035</u>

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows for the years ended June 30,:

	<u>2022</u>	<u>2021</u>
Programs	\$ 346,636	\$ 211,556
Endowment Earnings	41,877	35,169
Capital Project	24,850	527,782
	<u>\$ 413,363</u>	<u>\$ 774,507</u>

NOTE 12 – CONCENTRATIONS AND CONTINGENCIES

During the years ended June 30, 2022 and 2021, the Library received town appropriations of \$4,817,653 and \$4,819,844, respectively. These amounts represent a significant portion of the Library's total revenue and support. A significant reduction in this level of support, should it occur, would have a detrimental effect on the Library's programs and activities.

As of June 30, 2022 and 2021, 20% and 22%, respectively, of the Library's supervisor and non-supervisor employees worked under a collective bargaining agreement. The agreement expires June 30, 2023.

The Library has self-insured medical insurance. The Library is responsible for payments of up to \$175,000 per occurrence per employee. The Library has established a reserve of approximately \$530,000 and \$810,000 at June 30, 2022 and 2021, respectively, to cover the cost of self-insurance, which is included in accrued expenses.

NOTE 13 – CHARITABLE LEAD UNITRUST

The Library is the beneficiary of a charitable lead unitrust in which the trust assets are invested and managed by a third party trustee. The Library is designated a 40% interest in the trust. The Library expects to receive an annual payment over fifteen years in equal amounts based upon its percentage interest in the trust. Payments began during the year ended June 30, 2016. During each of the years ended June 30, 2022 and 2021, the Library received \$120,000, which is included in contributions in the statements of activities.

NOTE 14 – RISK AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Library’s operating activities, liquidity, and cash flows may be affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, the related financial impact cannot be reasonably estimated at this time.

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