

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cambridge Public Library Foundation
449 Broadway
Cambridge, MA 02138

Opinion

We have audited the accompanying financial statements of the Cambridge Public Library Foundation., Cambridge, Massachusetts, (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 Cambridge Public Library Foundation, Cambridge, Massachusetts, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cambridge Public Library Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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 Cambridge Public Library Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Certified Public Accountants

Auditor's Responsibility 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 auditor's 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 Cambridge Public Library Foundation'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 Cambridge Public Library Foundation'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.



Borgatti Harrison & Co.

Framingham, Massachusetts
August 18, 2022

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 242,948
Investments	1,680,072
Accounts and pledges receivable	126,937
Prepaid expenses and other	13,536
	<hr/>
Total current assets	2,063,493

\$ 2,063,493

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 63
Accrued expenses	21,848
	<hr/>
Total current liabilities	21,911

Long-term liabilities

-

Total liabilities

21,911

Net assets

Without donor restrictions -	
Undesignated	901,555
Board designated	117,928
With donor restrictions	1,022,099
	<hr/>

Total net assets

2,041,582

\$ 2,063,493

The accompanying notes are an integral part of these financial statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues, gains and other support			
Contributions	\$ 401,452	\$ 176,077	\$ 577,529
Investment return, net	(198,132)	-	(198,132)
In-kind donations	578	-	578
Other	43	-	43
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>182,281</u>	<u>(182,281)</u>	<u>-</u>
 Total operating revenues, gains and other support	 <u>386,222</u>	 <u>(6,204)</u>	 <u>380,018</u>
 Operating expenses			
Program services	241,096	-	241,096
Management and general	87,652	-	87,652
Fundraising	<u>70,259</u>	<u>-</u>	<u>70,259</u>
 Total operating expenses	 <u>399,007</u>	 <u>-</u>	 <u>399,007</u>
 Change in net assets	 (12,785)	 (6,204)	 (18,989)
 Net assets, beginning of year	 <u>1,032,268</u>	 <u>1,028,303</u>	 <u>2,060,571</u>
 Net assets, end of year	 <u>\$ 1,019,483</u>	 <u>\$ 1,022,099</u>	 <u>\$ 2,041,582</u>

The accompanying notes are an integral part of these financial statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Increase in net assets	\$ (18,989)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	-
Changes in assets and liabilities:	
Accounts and pledges receivable	9,047
Investments	(190,067)
Prepaid expenses and other	(6,182)
Accounts payable	(12,405)
Accrued expenses	10,774
	<hr/>
Total adjustments	(188,833)
	<hr/>
Net cash from operating activities	(207,822)
	<hr/>
Cash flows from investing activities:	
	<hr/>
	-
	<hr/>
Net cash used in investing activities	-
	<hr/>
Cash flows from financing activities:	
	<hr/>
	-
	<hr/>
Net cash from in financing activities	-
	<hr/>
Net increase in cash and cash equivalents	(207,822)
Cash and cash equivalents, beginning of year	450,770
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 242,948</u>

The accompanying notes are an intergral part of these financial statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 28,673	\$ 45,161	\$ 48,020	\$ 121,854
Payroll taxes and benefits	2,538	3,997	4,251	10,786
Total salaries and benefits	31,211	49,158	52,271	132,640
Event expenses	11,757	-	-	11,757
Programming expenses	115,619	-	-	115,619
Library books, supplies and misc.	82,509	72	-	82,581
Accounting fees	-	21,880	-	21,880
Advertising and outreach	-	1,000	-	1,000
Insurance	-	3,198	-	3,198
Board meals and gifts	-	1,565	-	1,565
Supplies and misc.	-	2,067	530	2,597
Printing	-	658	5,105	5,763
Postage and mailing	-	797	5,323	6,120
Software subscriptions	-	2,820	3,157	5,977
Consulting and contract services	-	2,173	129	2,302
Bank and administrative fees	-	169	2,229	2,398
Donor solicitation	-	2,095	1,515	3,610
	<u>\$ 241,096</u>	<u>\$ 87,652</u>	<u>\$ 70,259</u>	<u>\$ 399,007</u>

The accompanying notes are an integral part of these financial statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Description of Organization

The Cambridge Public Library Foundation is a Massachusetts nonprofit corporation founded in 2015, formed to support the purpose, mission, operations, infrastructure, and other aspects of the public libraries of the City of Cambridge, Massachusetts. The Organization is dependent on contribution income and is governed by a Board of Directors.

Presentation

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs.

The Organization is on the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions.

Contributions and grants receivable

Contributions and grants receivable are unconditional promises to give that are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unearned revenue

Payments received in advance of events not yet held are recorded as unearned revenue in the statement of financial position. The unearned revenue is recognized as income when earned.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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 revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents are cash investments in instruments with a maturity of ninety days or less.

Investments

Investments are presented in the financial statements at quoted market value in the aggregate and realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets.

Inventories of supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of financial position as inventories.

Vacation and sick leave

Employees are granted vacation and sick leave in varying amounts and must be taken in the fiscal year granted.

Contributed services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided as a donation, are recorded at fair market value in the period received.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

Income taxes

The Organization is a non-profit organization exempt from taxation under Section 501©(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made. However, income from certain activities not directly related to the Organization's tax-exempt status is subject to taxation as unrelated business income.

Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for uncollectible accounts is \$-0- at June 30, 2022.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of donor restrictions on use that are placed by its donors, as follows:

Without Donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use. This net asset category also includes donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

When a donor's restriction is satisfied, either by using the resource in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Promises to give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as occupancy and telephone, which are allocated on a square footage basis

2 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 – LEASES

The Organization uses space in the Cambridge Public Library building at 449 Broadway, in Cambridge, Massachusetts, at no cost including utilities. If the Organization did not receive the office space and utilities free of charge, the operating expenses would have increased, resulting in less net income and net assets.

4 – DEPOSITS AND INVESTMENTS

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Organization's deposits may not be recovered. The Organization does not have a policy for custodial credit risk of deposits. As of June 30 2022, \$-0- of the Organization's bank balance of \$247,263 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investment Summary

Financial Accounting Standards Board *Accounting Standards Codification 820* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the 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 measurement), a middle priority to quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (level 2 measurements), and the lowest priority to unobservable inputs and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities (level 3 measurements).

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Marketable securities (mutual funds, corporate bonds, and corporate stocks) are valued at the quoted market prices for those securities.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

Endowment net assets in equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (Level 1) and consist of the following at June 30, 2022:

<u>Investment Type</u>	
Individual taxable bonds	\$ 814,981
Equities	<u>865,091</u>
	\$ 1,680,072
	=====

Investment income for the year ended June 30, 2022 consisted of the following:

Interest and dividends	\$ 31,981
Net realized and unrealized gains and losses	(213,020)
Fees	<u>(17,093)</u>
	\$ (198,132)
	=====

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment.

Investments – Credit Risk of Debt Securities

Credit risk of debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations.

5 – STATEMENT OF ACTIVITIES

The Statement of Activities include 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 generally accepted accounting principles.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

6- INCOME TAXES

Uncertain tax positions -

The Organization is exempt from federal income taxes under Section 501 ©(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Exempt Organization Income Tax Returns (Form 990) for the years 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they are filed.

7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$ 1,923,020
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted net	<u>1,022,099</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 900,921
	=====

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted for the following purposes:

Subject to purpose restrictions:

Grants for programing and initiatives for children	\$ 359,858
Grant for seniors	74,780
Grants for literacy and other programs	139,739
Endowments	<u>447,722</u>
Total net assets with donor restrictions	\$ 1,022,099
	=====

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 – ENDOWMENT NET ASSETS

The Organization’s endowment consists of two individual funds established for a variety of purposes. Its endowment may include both donor restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The endowment fund assets are invested in accordance with the investment policy of the Organization.

Changes in the endowment’s net assets are as follows for the year ended June 30, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment Net Assets, at June 30, 2021	\$ 117,928	\$ 349,415	\$ 467,343
Donations	-	98,307	98,307
Investment income	-	-	-
Unrealized gain (loss)	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment Net Assets, at June 30, 2022	\$ 117,928 =====	\$ 447,722 =====	\$ 565,650 =====

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies may result from unfavorable market fluctuations. There were no such deficiencies as of June 30, 2022.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution approximately 5% to 10% of each contribution for administration of the endowment funds. In establishing its policy, the Organization considered the long-term return on its endowment.

10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 18, 2022, the date which the financial statements were available to be issued.