

# HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

# HARTFORD PUBLIC LIBRARY

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## **Independent Auditors' Report**

To the Trustees  
Hartford Public Library  
Hartford, Connecticut

We have audited the accompanying financial statements of Hartford Public Library, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 Hartford Public Library as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2019, Hartford Public Library adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
November 11, 2019

# HARTFORD PUBLIC LIBRARY

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 829,870	\$ 7,231,240
Investments	17,494,720	16,706,322
Accounts receivable	652,851	592,410
Contributions receivable	280,942	483,122
Prepaid expenses	129,931	111,355
Property and equipment, net	<u>9,385,655</u>	<u>10,289,728</u>
<b>Total Assets</b>	<u>\$ 28,773,969</u>	<u>\$ 35,414,177</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 50,125	\$ 37,546
Deferred revenue	<u>5,318</u>	<u>21,954</u>
Total liabilities	<u>55,443</u>	<u>59,500</u>
<b>Net Assets</b>		
Without donor restrictions	23,446,864	23,076,833
With donor restrictions	<u>5,271,662</u>	<u>12,277,844</u>
Total net assets	<u>28,718,526</u>	<u>35,354,677</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 28,773,969</u>	<u>\$ 35,414,177</u>

The accompanying notes are an integral part of the financial statements

# HARTFORD PUBLIC LIBRARY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
City appropriation	\$ 1,483,334	\$ -	\$ 1,483,334
Donated services and goods	2,032,057	-	2,032,057
Contributions	38,755	350,303	389,058
Grants	347,919	-	347,919
Special events	355,934	-	355,934
Investment return, net	1,270,216	-	1,270,216
Service fees	181,271	-	181,271
Other revenue	355,093	-	355,093
Net assets released from restrictions	<u>7,356,485</u>	<u>(7,356,485)</u>	<u>-</u>
Total revenue	<u>13,421,064</u>	<u>(7,006,182)</u>	<u>6,414,882</u>
<b>Expenses</b>			
Program	11,284,000	-	11,284,000
Management and general	1,374,321	-	1,374,321
Fundraising	<u>392,712</u>	<u>-</u>	<u>392,712</u>
Total expenses	<u>13,051,033</u>	<u>-</u>	<u>13,051,033</u>
<b>Increase (Decrease) in Net Assets</b>	370,031	(7,006,182)	(6,636,151)
<b>Net Assets - Beginning of Year</b>	<u>23,076,833</u>	<u>12,277,844</u>	<u>35,354,677</u>
<b>Net Assets - End of Year</b>	<u>\$ 23,446,864</u>	<u>\$ 5,271,662</u>	<u>\$ 28,718,526</u>

The accompanying notes are an integral part of the financial statements

# HARTFORD PUBLIC LIBRARY

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
City appropriation	\$ 8,100,000	\$ -	\$ 8,100,000
Donated services and goods	2,187,818	-	2,187,818
Contributions	24,140	7,745,525	7,769,665
Grants	433,165	-	433,165
Special events	327,824	-	327,824
Investment return, net	1,442,838	-	1,442,838
Service fees	165,754	-	165,754
Other revenue	256,089	-	256,089
Net assets released from restrictions	<u>358,104</u>	<u>(358,104)</u>	<u>-</u>
Total revenue	<u>13,295,732</u>	<u>7,387,421</u>	<u>20,683,153</u>
<b>Expenses</b>			
Program	11,337,834	-	11,337,834
Management and general	1,605,960	-	1,605,960
Fundraising	<u>395,977</u>	<u>-</u>	<u>395,977</u>
Total expenses	<u>13,339,771</u>	<u>-</u>	<u>13,339,771</u>
<b>Increase (Decrease) in Net Assets</b>	(44,039)	7,387,421	7,343,382
<b>Net Assets - Beginning of Year</b>	<u>23,120,872</u>	<u>4,890,423</u>	<u>28,011,295</u>
<b>Net Assets - End of Year</b>	<u>\$ 23,076,833</u>	<u>\$ 12,277,844</u>	<u>\$ 35,354,677</u>

The accompanying notes are an integral part of the financial statements

# HARTFORD PUBLIC LIBRARY

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Totals for 2018)

	Management and			Totals	
	Program Services	General	Fundraising	2019	2018
Salaries	\$ 4,412,643	\$ 564,408	\$ 153,929	\$ 5,130,980	\$ 5,130,897
Employee benefits	1,161,409	149,467	40,763	1,351,639	1,520,246
In-kind rent	1,621,220	207,365	56,554	1,885,139	1,885,140
Depreciation	1,394,429	49,324	20,377	1,464,130	1,440,476
Contributions	801,543	102,523	27,961	932,027	942,792
Professional services and fees	644,634	189,093	25,785	859,512	1,111,832
Program expense	280,823	28,655	48,714	358,192	236,067
Occupancy	211,040	8,980	4,490	224,510	244,489
Repair and maintenance	209,545	8,917	4,458	222,920	202,538
Information technology	189,733	16,680	2,085	208,498	291,818
Supplies	181,129	-	-	181,129	131,033
Office expense	91,744	8,247	3,093	103,084	96,035
Conferences and meetings	26,045	21,309	-	47,354	45,020
Miscellaneous	23,005	14,345	-	37,350	30,809
Bank fees	16,883	2,185	796	19,864	5,801
Advertising	5,988	499	3,493	9,980	7,407
Insurance	5,295	1,717	143	7,155	5,115
Scholarship	4,000	-	-	4,000	4,000
Travel	2,892	607	71	3,570	8,256
<b>Total Expenses</b>	<b>\$ 11,284,000</b>	<b>\$ 1,374,321</b>	<b>\$ 392,712</b>	<b>\$ 13,051,033</b>	<b>\$ 13,339,771</b>

The accompanying notes are an integral part of the financial statements



# HARTFORD PUBLIC LIBRARY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ (6,636,151)	\$ 7,343,382
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(932,173)	(1,188,020)
Depreciation	1,464,130	1,440,476
Donated property and equipment	(113,393)	(280,349)
(Increase) decrease in operating assets:		
Accounts receivable	(60,441)	(375,308)
Contributions receivable	202,180	(273,968)
Prepaid expenses	(18,576)	115,972
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	12,579	(9,423)
Deferred revenue	(16,636)	2,786
Net cash provided by (used in) operating activities	<u>(6,098,481)</u>	<u>6,775,548</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(6,666,666)	(16,126,493)
Proceeds from sale of investments	6,810,441	16,465,028
Purchases of property and equipment	(446,664)	(482,186)
Net cash used in investing activities	<u>(302,889)</u>	<u>(143,651)</u>
<b>Net Increase (Decrease) in Cash</b>	(6,401,370)	6,631,897
<b>Cash - Beginning of Year</b>	<u>7,231,240</u>	<u>599,343</u>
<b>Cash - End of Year</b>	<u>\$ 829,870</u>	<u>\$ 7,231,240</u>

The accompanying notes are an integral part of the financial statements

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Activities

Hartford Public Library (the Library) was incorporated in 1935 as a not-for-profit organization with the primary mission to promote and support literacy and learning, to provide free and open access to information and ideas, and to help people participate in our democratic society. The Library offers an extensive variety of programs and services for multiple age groups that target a wide spectrum of needs and interests. Major programs and services provided are library services, youth services, job and career center services, multicultural programs, and civic engagement programs.

The Library's primary source of funding comes from an annual appropriation from the City of Hartford (the City). For 2019 operations, the City sought and received a pledge from corporations to support the City's funding, to fund among other things the operating budget for the Library for fiscal year 2019. The Library directly received contributions from corporations to support the City's funding for operations of \$6,666,666 prior to June 30, 2018, and this is included in contributions with donor restrictions on the statement of activities for the year ended June 30, 2018. For 2020 operations, the Library directly received contributions from corporations to support the City's funding for operations subsequent to June 30, 2019 of \$6,666,666 and thus these are not reflected in contributions on the statement of activities for the year ended June 30, 2019.

#### Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments have been retrospectively applied, with the exception of a statement of functional expenses and disclosures of liquidity and availability of resources for the year ended June 30, 2018.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### **Basis of Accounting and Presentation**

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Library are reported in the following net asset categories: without donor restrictions and with donor restrictions.

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Board of Directors has designated a portion of its net assets without donor restrictions for the purposes of funds functioning as an endowment.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Library to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

### **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 amounts and disclosures in the financial statements. Actual results could differ from these estimates.

### **Cash**

The Library maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Library's deposits are not subject to significant credit risk.

### **Investment Valuation and Income Recognition**

Investments are reported 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 the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments include the Library's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income on donor-restricted endowment assets whose restrictions are met in the same period are classified as increases or decreases in net assets without donor restrictions.

### **Property and Equipment**

Property and equipment acquisitions and improvements thereon, including donated property and equipment as discussed in the donated services and goods section below, that individually exceed \$1,500 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the life of the improvement or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### **Collections**

In accordance with GAAP, the Library does not capitalize donated works of art or recognize them as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public examination, education or research in the furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other collection items.

### **Contributions**

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Library reports nongovernmental contributions and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit their use. 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 statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### **Donated Services and Goods**

The Library recognizes donated services if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services and goods related to the Library's special events totaled \$33,524 and \$22,329 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in donated services and goods revenue and fundraising expenses on the statements of activities. The Library also received donated property and equipment totaling \$113,393 and \$280,349 for the years ended June 30, 2019 and 2018, respectively. These amounts are capitalized and included in property and equipment on the statements of financial position and donated services and goods on the statements of activities.

The Library also received donated rent from the City totaling \$1,885,140 for the years ended June 30, 2019 and 2018. This amount is included in donated services and goods revenue and allocated between program and management and general expenses on the statements of activities.

### **Grants**

Other than certain awards to fund capital expenditures, governmental grants are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants is recognized to the extent of costs incurred. Revenue from performance-based grants is recognized to the extent of performance achieved. Grant receipts in excess of revenue recognized are presented as deferred revenue.

### **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, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are allocated based on time and effort or usage.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### Income Taxes

The Library is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

### Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year's presentation.

### Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 11, 2019, which represents the date the financial statements were available to be issued.

## NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

### Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Library has the ability to access.

### Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level 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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

### Money Market

Money market funds are valued at the quoted price of shares held by the Library at year end.

### Equities, Real Assets and Fixed Income

Equities, real assets and fixed income are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at June 30, 2019 and 2018.

The following tables set forth by level, within the fair value hierarchy, the Library's assets at fair value as of June 30, 2019 and 2018:

	<b>2019</b>			
	<b>Fair Value Measurements Using</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money market	\$ 475,947	\$ -	\$ -	\$ 475,947
Equities:				
U.S. large cap	7,742,663	-	-	7,742,663
U.S. mid cap	1,647,386	-	-	1,647,386
U.S. small cap	663,015	-	-	663,015
International developed	1,940,908	-	-	1,940,908
Other	600,749	-	-	600,749
Real assets	259,813	-	-	259,813
Fixed income	4,164,239	-	-	4,164,239
<b>Total Assets at Fair Value</b>	<b>\$ 17,494,720</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,494,720</b>

	<b>2018</b>			
	<b>Fair Value Measurements Using</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money market	\$ 398,072	\$ -	\$ -	\$ 398,072
Equities:				
U.S. large cap	7,125,022	-	-	7,125,022
U.S. mid cap	1,560,658	-	-	1,560,658
U.S. small cap	637,312	-	-	637,312
International developed				
Other	2,172,594	-	-	2,172,594
Real assets	586,926	-	-	586,926
Fixed income	244,973	-	-	244,973
<b>Total Assets at Fair Value</b>	<b>\$ 16,706,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,706,322</b>

There were no transfers between levels of investments during the years ended June 30, 2019 and 2018.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give that are due in less than one year totaling \$280,942 and \$483,122 at June 30, 2019 and 2018, respectively. Based on an assessment of outstanding balances, management has concluded that no reserve is deemed necessary at June 30, 2019 and 2018.

### NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 198,200	\$ 198,200
Leasehold improvements	11,248,245	11,244,440
Library material	3,173,325	2,845,874
Buildings	1,089,480	1,089,480
Furniture and fixtures	1,366,293	1,364,446
Computers and equipment	1,235,819	1,055,935
Vehicles	133,284	106,275
Building improvements	54,358	54,358
	<u>18,499,004</u>	<u>17,959,008</u>
Less accumulated depreciation	<u>9,113,349</u>	<u>7,669,280</u>
Property and Equipment, Net	<u>\$ 9,385,655</u>	<u>\$ 10,289,728</u>

Depreciation expense totaled \$1,464,130 and \$1,440,476 for the years ended June 30, 2019 and 2018, respectively.

### NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2019 and 2018, net assets were released from restrictions by incurring expenses satisfying donor stipulations for various programs of \$7,356,485 and \$358,104, respectively.

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowment funds restricted for perpetuity	\$ 4,076,272	\$ 4,076,272
Restricted by purpose:		
Donor stipulations for various programs	1,090,300	8,096,482
Capital improvements	105,090	105,090
	<u>\$ 5,271,662</u>	<u>\$ 12,277,844</u>

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - ENDOWMENT

The Library's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of the Library has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Library and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Library
- The investment policies of the Library



# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - June 30, 2017	\$ 11,680,730	\$ 4,076,272	\$ 15,757,002
Investment return, net	1,417,197	-	1,417,197
Appropriation of endowment assets for expenditure	<u>(572,967)</u>	<u>-</u>	<u>(572,967)</u>
Endowment net assets - June 30, 2018	12,524,960	4,076,272	16,601,232
Investment return, net	1,217,204	-	1,217,204
Appropriation of endowment assets for expenditure	<u>(486,660)</u>	<u>-</u>	<u>(486,660)</u>
Endowment Net Assets - June 30, 2019	\$ <u>13,255,504</u>	\$ <u>4,076,272</u>	\$ <u>17,331,776</u>

### 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 or CTUPMIFA requires the Library to maintain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2019 and 2018.

### Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a revenue stream while also maintaining or increasing the inflation-adjusted value of the endowment to maintain intergenerational equity for funding of on-going operations, special initiatives and capital projects in support of the Library.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Library 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 Library targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints. The Library seeks to achieve investment results over the long term that exceed the target blended benchmark of 65% MSCI All Country World Index and 35% Barclays-Aggregate Bond Index by 1% per annum and exceed the inflation plus the spending policy per annum.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### Spending Policy

The Library has adopted a policy to support the Library and to preserve the value of the investment portfolio over time. Specifically, 4% of the average of the fair value of certain investments for the previous 12 quarters, ending March 31, is appropriated to support the Library. The amount appropriated for the years ended June 30, 2019 and 2018 was 4%. The Library has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

### NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Library's financial assets available within one year of the statement of financial position date for general expenditure as of June 30, 2019 are as follows:

Cash and cash equivalents	\$	78,366
Accounts receivable, net		652,851
Board-approved draw from endowment for fiscal year 2020		<u>437,870</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	<u><u>1,169,087</u></u>

### Liquidity Management

The Library maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Library invests cash in excess of weekly requirements in short-term investments. The Library's governing board has designated \$13,255,504 of its resources without donor restrictions for endowment. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. In addition to financial assets available to meet general expenditures over the next 12 months, the Library operates with a balanced budget and anticipates collecting sufficient revenue and utilizing approved appropriation of endowment assets to cover general expenditures.

### NOTE 8 - RELATED PARTY TRANSACTIONS

The Library is a component fund of the City and it receives an annual appropriation from the City to support general operations and program services. The appropriation received for the years ended June 30, 2019 and 2018 was \$1,483,334 and \$8,100,000, respectively. For the year ended June 30, 2019, corporate contributions of \$6,666,666 were provided to assist the City in supporting the Library. These funds were received by the Library prior to June 30, 2018 and recorded as contributions with donor restrictions as of June 30, 2018 and as net assets released from restrictions for the year ended June 30, 2019.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Library participated in a number of federal- and state-assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in liabilities to grantors. The Library is not aware of any such liabilities at June 30, 2019 and 2018.

# HARTFORD PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - OPERATING LEASES

The Library leases space for library branches with various terms through June 30, 2020. The Library also leases office equipment under noncancelable operating leases with terms of more than one year.

Future minimum lease payments under operating leases that have minimum remaining terms are \$24,252 for the year ending June 30, 2020.