

HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019, 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, 2020, Hartford Public Library adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 30, 2020

HARTFORD PUBLIC LIBRARY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,280,815	\$ 829,870
Investments	18,378,302	17,494,720
Accounts receivable	1,421,543	652,851
Contributions receivable	474,691	280,942
Prepaid expenses	93,222	129,931
Property and equipment, net	<u>8,733,154</u>	<u>9,385,655</u>
Total Assets	\$ <u>30,381,727</u>	\$ <u>28,773,969</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 53,909	\$ 50,125
Deferred revenue	48,465	5,318
Refundable advance	<u>54,511</u>	<u>-</u>
Total liabilities	<u>156,885</u>	<u>55,443</u>
Net Assets		
Without donor restrictions	24,616,150	23,446,864
With donor restrictions	<u>5,608,692</u>	<u>5,271,662</u>
Total net assets	<u>30,224,842</u>	<u>28,718,526</u>
Total Liabilities and Net Assets	\$ <u>30,381,727</u>	\$ <u>28,773,969</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
City appropriation	\$ 1,534,650	\$ -	\$ 1,534,650
Donated services and goods	2,014,808	-	2,014,808
Contributions	6,679,607	1,108,144	7,787,751
Grants	1,704,141	-	1,704,141
Special events	470,294	-	470,294
Investment return, net	811,626	-	811,626
Service fees	127,068	-	127,068
Other revenue	689,133	-	689,133
Net assets released from restrictions	771,114	(771,114)	-
Total revenue	<u>14,802,441</u>	<u>337,030</u>	<u>15,139,471</u>
Expenses			
Program	11,777,524	-	11,777,524
Management and general	1,425,143	-	1,425,143
Fundraising	430,488	-	430,488
Total expenses	<u>13,633,155</u>	<u>-</u>	<u>13,633,155</u>
Increase in Net Assets	1,169,286	337,030	1,506,316
Net Assets - Beginning of Year	<u>23,446,864</u>	<u>5,271,662</u>	<u>28,718,526</u>
Net Assets - End of Year	<u>\$ 24,616,150</u>	<u>\$ 5,608,692</u>	<u>\$ 30,224,842</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>
Revenue			
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	7,356,485	(7,356,485)	-
Total revenue	<u>13,421,064</u>	<u>(7,006,182)</u>	<u>6,414,882</u>
Expenses			
Program	11,284,000	-	11,284,000
Management and general	1,374,321	-	1,374,321
Fundraising	392,712	-	392,712
Total expenses	<u>13,051,033</u>	<u>-</u>	<u>13,051,033</u>
Increase (Decrease) in Net Assets	370,031	(7,006,182)	(6,636,151)
Net Assets - Beginning of Year	<u>23,076,833</u>	<u>12,277,844</u>	<u>35,354,677</u>
Net Assets - End of Year	<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

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Program Services	Management and General	Fundraising	Total 2020	Program Services	Management and General	Fundraising	Total 2019
Salaries	\$ 4,769,193	\$ 610,013	\$ 166,367	\$ 5,545,573	\$ 4,412,643	\$ 564,408	\$ 153,929	\$ 5,130,980
Employee benefits	1,244,719	159,114	43,395	1,447,228	1,161,409	149,467	40,763	1,351,639
In-kind rent	1,621,221	207,365	56,554	1,885,140	1,621,220	207,365	56,554	1,885,139
Depreciation	1,376,032	49,144	20,236	1,445,412	1,394,429	49,324	20,377	1,464,130
Contributions	874,215	111,818	30,496	1,016,529	801,543	102,523	27,961	932,027
Professional services and fees	599,926	175,978	23,997	799,901	644,634	189,093	25,785	859,512
Program expense	360,848	36,821	62,596	460,265	280,823	28,655	48,714	358,192
Occupancy	224,625	9,558	4,780	238,963	211,040	8,980	4,490	224,510
Information technology	216,521	13,969	2,328	232,818	189,733	16,680	2,085	208,498
Repair and maintenance	143,162	6,093	3,046	152,301	209,545	8,917	4,458	222,920
Supplies	150,534	-	-	150,534	181,129	-	-	181,129
Office expense	114,922	10,330	3,874	129,126	91,744	8,247	3,093	103,084
Conferences and meetings	31,938	26,132	-	58,070	26,045	21,309	-	47,354
Advertising	20,687	1,724	12,068	34,479	5,988	499	3,493	9,980
Bank fees	11,965	1,549	563	14,077	16,883	2,185	796	19,864
Scholarship	4,000	-	-	4,000	4,000	-	-	4,000
Miscellaneous	5,730	3,572	-	9,302	23,005	14,345	-	37,350
Insurance	3,785	1,228	102	5,115	5,295	1,717	143	7,155
Travel	3,501	735	86	4,322	2,892	607	71	3,570
Total Expenses	\$ 11,777,524	\$ 1,425,143	\$ 430,488	\$ 13,633,155	\$ 11,284,000	\$ 1,374,321	\$ 392,712	\$ 13,051,033

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,506,316	\$ (6,636,151)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(527,421)	(932,173)
Depreciation	1,445,412	1,464,130
Donated property and equipment	-	(113,393)
(Increase) decrease in operating assets:		
Accounts receivable	(768,692)	(60,441)
Contributions receivable	(193,749)	202,180
Prepaid expenses	36,709	(18,576)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,784	12,579
Deferred revenue	43,147	(16,636)
Refundable advance	54,511	-
Net cash provided by (used in) operating activities	<u>1,600,017</u>	<u>(6,098,481)</u>
Cash Flows from Investing Activities		
Purchases of investments	(6,667,813)	(6,666,666)
Proceeds from sale of investments	6,311,652	6,810,441
Purchases of property and equipment	(792,911)	(446,664)
Net cash used in investing activities	<u>(1,149,072)</u>	<u>(302,889)</u>
Net Increase (Decrease) in Cash	450,945	(6,401,370)
Cash - Beginning of Year	<u>829,870</u>	<u>7,231,240</u>
Cash - End of Year	<u>\$ 1,280,815</u>	<u>\$ 829,870</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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 and 2020 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 years 2019 and 2020. For 2020 operations, the Library directly received contributions from corporations to support the City's funding for operations during the year ended June 30, 2020 of \$6,666,666 and these are reflected in contributions on the statement of activities for the year ended June 30, 2020.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the modified prospective method.

There was no cumulative effect of applying ASU 2018-08.

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.

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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.

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 for acquisition of other collection items, the direct care of existing collections, or both.

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Library. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Library reports contributions of cash and other assets as donor-restricted support 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 accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statements of financial position.

Conditional government grants and contracts not recognized as revenue as of June 30, 2020 total \$48,465. Government grants and contracts are conditioned on incurring qualified program expenses.

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 \$129,668 and \$33,524 for the years ended June 30, 2020 and 2019, 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 \$0- and \$113,393 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019. This amount is included in donated services and goods revenue and allocated between program and management and general expenses on the statements of activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, 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.

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.

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 30, 2020, 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.

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 fair value reported in the active market.

There have been no changes in the methodologies used at June 30, 2020 and 2019.

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Library's assets at fair value as of June 30, 2020 and 2019:

	2020			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Money market	\$ 1,469,657	\$ -	\$ -	\$ 1,469,657
Equities:				
U.S. large cap	7,739,362	-	-	7,739,362
U.S. mid cap	1,344,200	-	-	1,344,200
U.S. small cap	614,218	-	-	614,218
International developed	1,461,795	-	-	1,461,795
Other	589,266	-	-	589,266
Real assets	315,061	-	-	315,061
Fixed income	4,844,743	-	-	4,844,743
Total Assets at Fair Value	\$ 18,378,302	\$ -	\$ -	\$ 18,378,302

	2019			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
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
Total Assets at Fair Value	\$ 17,494,720	\$ -	\$ -	\$ 17,494,720

There were no transfers between levels of investments during the years ended June 30, 2020 and 2019.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give that are due in less than one year totaling \$474,691 and \$280,942 at June 30, 2020 and 2019, respectively. Based on an assessment of outstanding balances, management has concluded that no reserve is deemed necessary at June 30, 2020 and 2019.

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NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 198,200	\$ 198,200
Leasehold improvements	11,319,860	11,248,245
Library material	3,504,184	3,173,325
Buildings	1,089,480	1,089,480
Furniture and fixtures	1,466,137	1,366,293
Computers and equipment	1,520,576	1,235,819
Vehicles	133,284	133,284
Building improvements	54,358	54,358
	<u>19,286,079</u>	<u>18,499,004</u>
Less accumulated depreciation	<u>10,552,925</u>	<u>9,113,349</u>
Property and Equipment, Net	<u>\$ 8,733,154</u>	<u>\$ 9,385,655</u>

Depreciation expense totaled \$1,445,412 and \$1,464,130 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2020 and 2019, net assets were released from restrictions by incurring expenses satisfying donor stipulations for various programs of \$771,114 and \$7,356,485, respectively.

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment funds restricted for perpetuity	\$ 4,076,272	\$ 4,076,272
Restricted by purpose:		
Donor stipulations for various programs	1,427,330	1,090,300
Capital improvements	<u>105,090</u>	<u>105,090</u>
	<u>\$ 5,608,692</u>	<u>\$ 5,271,662</u>

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.

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NOTES TO FINANCIAL STATEMENTS

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

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	13,255,504	4,076,272	17,331,776
Investment return, net	772,806	-	772,806
Appropriation of endowment assets for expenditure	<u>(486,055)</u>	<u>-</u>	<u>(486,055)</u>
Endowment Net Assets - June 30, 2020	\$ <u>13,542,255</u>	\$ <u>4,076,272</u>	\$ <u>17,618,527</u>

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NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

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.

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, 2020 and 2019 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 982,862	\$ 78,366
Accounts receivable, net	1,421,543	652,851
Financial assets available within one year	<u>2,404,405</u>	<u>731,217</u>
Board-approved endowment draw for future fiscal year	<u>452,779</u>	<u>437,870</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 2,857,184</u>	<u>\$ 1,169,087</u>

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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 \$13,542,255 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, 2020 and 2019 was \$1,534,650 and \$1,483,334, respectively. For the years ended June 30, 2020 and 2019, corporate contributions of \$6,666,666 were provided to assist the City in supporting the Library. For the year ended June 30, 2019, the 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, 2020 and 2019.

NOTE 10 - OPERATING LEASES

The Library leases space for library branches with various terms through June 30, 2021. 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 in excess of one year are as follows:

Year Ending June 30

2021	\$	41,828
2022		17,576
2023		17,576
2024		17,576
2025		<u>7,323</u>
Total Minimum Lease Payments	\$	<u>101,879</u>

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, the Library closed all branches on March 20, 2020. In June, the Library began offering contactless services and, in July, the Downtown branch opened for limited on-site services.

On May 4, 2020, the Library received a Paycheck Protection Program (PPP) loan of \$1,322,617 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Library considers PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Library considers reviews of our application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended June 30, 2020, the Library recognized \$1,268,106 grants income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through June 30, 2020. The remaining balance of \$54,511 of the PPP loan is classified as a refundable advance on the accompanying statement of financial position. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and will be due and payable in full on May 4, 2022.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.