CAMBRIDGE PUBLIC LIBRARY FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

LMHS, P.C.
Certified Public Accountants and Advisors

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YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Cambridge Public Library Foundation
Cambridge, Massachusetts

We have audited the accompanying financial statements of the Cambridge Public Library Foundation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cambridge Public Library Foundation as of June 30, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cambridge Public Library Foundation and to meet our other 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 opinion.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

LMHS, P.C.

LMHS, P.C.
Norwell, Massachusetts

October 9, 2024

CAMBRIDGE PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

CURRENT ASSETS:		
Cash and Cash Equivalents	$	230,099
Investments		2,634,320
Pledges Receivable		170,000
Prepaid Expenses and Other		7,557
	$	3,041,976

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$	24,251
NET ASSETS:		
Without Donor Restrictions - Undesignated		1,245,667
Without Donor Restrictions - Board Designated		117,928
With Donor Restrictions		1,654,130
		3,017,725
	$	3,041,976

See Notes to Financial Statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT:			
Contributions	$ 173,664	$ 566,653	$ 740,317
Investment Return, Net	226,521	-	226,521
Other Income	1,167	-	1,167
Net Assets Released From Restrictions	123,572	(123,572)	-
TOTAL REVENUE AND OTHER SUPPORT	524,924	443,081	968,005
EXPENSES:			
Program Expense	144,838	-	144,838
Fundraising Expense	67,040	-	67,040
Management and General	95,021	-	95,021
	306,899	-	306,899
CHANGE IN NET ASSETS	218,025	443,081	661,106
NET ASSETS AT BEGINNING OF YEAR	1,145,570	1,211,049	2,356,619
NET ASSETS AT END OF YEAR	$ 1,363,595	$ 1,654,130	$ 3,017,725

See Notes to Financial Statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Expense	Fundraising Expense	Management and General	Total
PERSONNEL EXPENSES:				
Salaries and Wages	$ 26,719	$ 39,293	$ 42,580	$ 108,592
Payroll Taxes	2,123	3,057	3,312	8,492
Employee Benefits	710	474	1,184	2,368
TOTAL PERSONNEL EXPENSES	29,552	42,824	47,076	119,452
Advertising and Outreach	-	-	557	557
Bank Fees	-	2,015	3,756	5,771
Board Meals and Gifts	-	-	1,903	1,903
Consulting and Contract Services	-	8,316	-	8,316
Donor Solicitation	-	2,081	-	2,081
Events	26,303	-	-	26,303
Insurance	-	-	3,663	3,663
Library Books, Supplies and Other	30,640	-	-	30,640
Office Supplies and Miscellaneous	-	-	633	633
Postage and Mailing	-	1,272	634	1,906
Printing	-	5,798	1,228	7,026
Professional Fees	-	-	30,007	30,007
Programming	58,343	-	-	58,343
Software Subscriptions	-	4,734	5,564	10,298
TOTAL FUNCTIONAL EXPENSES	$ 144,838	$ 67,040	$ 95,021	$ 306,899

See Notes to Financial Statements

CAMBRIDGE PUBLIC LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ 661,106
Adjustments to Reconcile Changes in Net Assets to Net	
Cash Provided by Operating Activities:	
Unrealized Gain from Investments	(158,916)
Change in Operating Assets and Liabilities:	
(Increase) Decrease In:	
Pledges Receivable	(75,000)
Prepaid Expenses and Other	(3,453)
Increase (Decrease) In:	
Accounts Payable and Accrued Expenses	9,446
	433,183
CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchase of Investments	(491,660)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,477)
CASH AND CASH EQUIVALENTS - BEGINNING	288,576
CASH AND CASH EQUIVALENTS - ENDING	$ 230,099

See Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Organization - The Cambridge Public Library Foundation (the Organization) is a non-profit corporation that was incorporated under the laws of the Commonwealth of Massachusetts and commenced operations in 2015.

2. Operations - The Organization is a non-profit that 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.

3. Method of Accounting - The Organization's policy is to prepare its financial statements on the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. This method of accounting conforms to generally accepted accounting principles.

4. Financial Statement Presentation - The Organization's financial statements are presented in accordance with FASB ASC Update 2016-14. As such, net assets are classified based upon the existence or absence of donor imposed restrictions, as follows: without donor restrictions, with donor restrictions. A description of the two net asset categories is as follows:

   Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

   With Donor Restrictions - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time, or that must remain intact, in perpetuity.

   Under FASB ASC 958-210-45, expenses are generally reported as decreases in net assets without donor restrictions.

5. Concentration of Credit Risk - The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related accounts.

6. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

7. Investments - The Organization accounts for investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

8. Allowance for Uncollectible Pledges Receivable - The Organization allows for estimated losses on pledges receivable based on prior bad debt experience and a review of existing pledges. Write-offs, should they occur, will be recorded as expenses in the year they are deemed to be uncollectible.

9. Property and Equipment - Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred whereas major betterments are capitalized. Depreciation is provided for using the straight-line method over the estimated useful lives. As of June 30, 2024, the Organization did not hold assets that were classified as property and equipment.

A. <u>ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>: (Continued)

10. Fair Value Measurement - Financial Accounting Standards Board, ASC 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.

11. Fair Value of Financial Instruments - The Organization's financial instruments include cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable and accrued expenses. The recorded values of cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable and accrued expenses approximate their fair values based on their short-term nature.

12. Revenue Recognition - The Organization follows the guidance of ASC Topic 958, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of ASC Topic 958-605 or as exchange transactions subject to ASC Topic 606 and (2) determining whether a contribution is conditional.

    Additionally, the Organization follows ASC Topic 606, Revenue from Contracts with Customers, with respect to its revenue recognition policy. The core principle of the accounting guidance is that an entity should recognize revenue when it satisfies a performance obligation by transferring promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

    Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

    Special events revenue is recognized when the event takes place. The value of an event ticket is an exchange transaction, in accordance with ASC Topic 606. The excess of the ticket price over the value of the benefit received is recognized as a contribution.

    Donated materials and services are recorded as in-kind donations and recognized at their estimated fair value as of the date of donation or service.

    Contributions of marketable securities are recorded in the financial statements at their quoted market price at the date of donation.

13. Contributions - Contributions are recorded in net assets without donor restrictions or net assets with donor restrictions class of net assets depending on the existence and/or nature of any donor-imposed restriction. When a 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 are reported as net assets released from restriction in the statement of activities.

14. Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

15. Uncertainty In Income Taxes - The Organization adopted the standards for *Accounting for Uncertainty in Income Taxes* (income, sales, use and payroll), which required the Organization to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2024, the Organization determined that it had no tax positions that did not meet the “more likely than not” threshold of being sustained by the applicable tax authority. The Organization files tax and information returns in the United States Federal and applicable state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

16. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

17. Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

    The following expenses were allocated using time and effort basis:
    - Salaries and Wages
    - Payroll Taxes
    - Employee Benefits

18. Lease Accounting - The Organization follows Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842) and subsequent amendments. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on its statement of financial position for all leases with a lease term of more than 12 months. Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized. As of June 30, 2024, the Organization did not hold any leases that required capitalization. See Note G for lease arrangements.

B. INVESTMENTS:

Investments consist of the following at June 30, 2024:

Individual Taxable Bonds	$ 1,233,102
Equities	1,401,218
Total Investments	$ 2,634,320

Investment income for the year ended June 30, 2024 consisted of the following:

Interest and Dividends	$ 52,311
Net Realized and Unrealized Gains	194,031
Fee Expense	(19,821)
Total Investment Income	$ 226,521

The Organization holds investments, all of which represent level 1 inputs. Level 1 inputs are defined by unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity would have access.

C. PLEDGES RECEIVABLE:

Unconditional promises to give in future periods are recorded in the financial statements as Pledges Receivable, net of an allowance for uncollectible gifts. As of June 30, 2024, unconditional promises to give amounted to $170,000, of which $40,000 is unrestricted for general support and $130,000 represents gifts with donor restrictions. As of June 30, 2024, there was no allowance for uncollectible pledges.

D. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2023	$ 117,928	$ 625,980	$ 743,908
Donations	-	99,069	99,069
Endowment Net Assets, June 30, 2024	$ 117,928	$ 725,049	$ 842,977

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, 2024.

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 of 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.

E. LIQUIDITY AND AVAILABILITY:

The following reflects the Organization's financial assets at June 30, 2024, reduced by amounts that are not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date. As part of its liquidity management plan, the Organization operates its programs within a balanced budget and relies on grants and contributions to fund its operations and program activities:

Cash and Cash Equivalents	$ 230,099
Investments	2,634,320
Pledges Receivable	170,000
Total Financial Assets	3,034,419
Contributions with Donor Restrictions	(1,654,130)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,380,289

F. NET ASSETS WITH DONOR RESTRICTIONS:

Purpose Restricted:	
Grants for Programming and Initiatives for Children	$ 342,018
Grants for Seniors	47,640
Grants for Literacy and Other Programs	539,423
Endowments	725,049
Total Net Assets with Donor Restrictions	$ 1,654,130

G. 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.

H. ADVERTISING:

The Organization follows the policy of charging the costs of advertising and marketing to expense as incurred. For the year ended June 30, 2024, advertising costs amounted to $557.

I. SUBSEQUENT EVENTS:

Management has evaluated events occurring after the statement of financial position date through October 9, 2024, the date in which the financial statements were available to be issued. No material events have been identified which would require disclosure.