

**CAMBRIDGE PUBLIC LIBRARY FOUNDATION**

**FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019  
AND  
INDEPENDENT AUDITOR'S REPORT**

**WALSH & CO.**  

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**ACCOUNTANTS & CONSULTANTS**

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

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# WALSH & CO.

## ACCOUNTANTS & CONSULTANTS

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

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Cambridge Public Library Foundation (a non-profit corporation), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 the 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 Cambridge Public Library Foundation as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

September 10, 2020  
Winchester, MA

*Wahle & Co.*

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 411,293	\$ 280,814
Accounts and pledges receivable	116,333	85,937
Investments	1,141,039	1,072,676
Prepaid expenses	10,929	5,230
Accrued interest	<u>902</u>	<u>902</u>
Total Assets	<u>\$ 1,680,496</u>	<u>\$ 1,445,559</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 16,114	\$ 2,797
Accrued expenses	<u>15,549</u>	<u>7,653</u>
Total Liabilities	<u>31,663</u>	<u>10,450</u>
Commitments and contingencies		
Net Assets:		
Without donor restrictions	636,669	611,664
With donor restrictions	<u>1,012,164</u>	<u>823,445</u>
Total Net Assets	<u>1,648,833</u>	<u>1,435,109</u>
Total Liabilities and Net Assets	<u>\$ 1,680,496</u>	<u>\$ 1,445,559</u>

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 310,810	\$ 256,125	\$ 566,935	\$ 188,411	\$ 164,010	\$ 352,421
Other revenue	20		20	1,221		1,221
Investment return, net	44,077		44,077	108,783		108,783
Released from restriction	<u>67,406</u>	<u>(67,406)</u>		<u>44,468</u>	<u>(44,468)</u>	
Total Support and Revenue	<u>422,313</u>	<u>188,719</u>	<u>611,032</u>	<u>342,883</u>	<u>119,542</u>	<u>462,425</u>
<b>EXPENSES:</b>						
Program Services	232,032		232,032	154,089		154,089
General and administrative	55,868		55,868	61,222		61,222
Fundraising	109,408		109,408	91,368		91,368
Total Expenses	<u>397,308</u>		<u>397,308</u>	<u>306,679</u>		<u>306,679</u>
<b>INCREASE IN NET ASSETS</b>						
	25,005	188,719	213,724	36,204	119,542	155,746
<b>NET ASSETS</b>						
Beginning of year	<u>611,664</u>	<u>823,445</u>	<u>1,435,109</u>	<u>575,460</u>	<u>703,903</u>	<u>1,279,363</u>
End of Year/Period	<u>\$ 636,669</u>	<u>\$ 1,012,164</u>	<u>\$ 1,648,833</u>	<u>\$ 611,664</u>	<u>\$ 823,445</u>	<u>\$ 1,435,109</u>

See accompanying notes.  
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CAMBRIDGE PUBLIC LIBRARY FOUNDATION

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

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 213,724	\$ 155,746
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized (gains) losses on investments	(33,651)	(95,097)
(Increase) decrease in accounts and pledges receivable	(30,396)	(10,000)
Increase in prepaid expenses	(5,699)	(2,629)
Decrease (increase) in accounts payable	13,317	(1,797)
Decrease (increase) in accrued expenses	7,896	(3,855)
Contribution for long-term purposes	<u>(118,949)</u>	<u>(15,000)</u>
Net Cash Provided By Operating Activities	<u>46,242</u>	<u>27,368</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Redemptions/(purchases) of investments, net	<u>(34,712)</u>	<u>39,395</u>
CASH FLOW PROVIDED BY FINANCING ACTIVITIES		
Contribution for long-term purposes	<u>118,949</u>	<u>15,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	130,479	81,763
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>280,814</u>	<u>199,051</u>
CASH AND CASH EQUIVALENTS, END OF YEAR/PERIOD	<u>\$ 411,293</u>	<u>\$ 280,814</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$</u>	<u>\$ 44</u>

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

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

	<u>2020</u>				<u>2019</u>			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 230	\$ 252	\$ 1,324	\$ 252	\$ 8,035	\$ 1,442	\$ 9,305	\$ 18,782
Bank charges	996	370	785	1,924	49,413	1,289		1,289
Consultants		750		2,531		1,500		50,913
Development						715	7,121	7,836
Donor solicitation		98	5,564	5,662		335	3,973	3,973
Dues & subscriptions		2,242	3,453	5,695		250	175	510
Filing fees						3,033		250
Insurance		3,110		3,110		44		3,033
Interest								44
Meetings	725	1,207	37	1,969	5,787	1,691	198	7,676
Office	3,578	3,635	5,203	12,416		761		761
Payroll	24,201	26,240	85,520	135,961	26,892	17,635	63,636	108,163
Payroll taxes	2,106	2,283	7,440	11,829	2,927	432	6,927	10,286
Professional fees	378	14,837		15,215	57,875	31,696		31,696
Program supplies	33,546	822	82	34,450		333		58,208
Program event expense	166,272			166,272				
Travel		22		22	3,160	66	33	3,259
	<u>\$ 232,032</u>	<u>\$ 55,868</u>	<u>\$ 109,408</u>	<u>\$ 397,308</u>	<u>\$ 154,089</u>	<u>\$ 61,222</u>	<u>\$ 91,368</u>	<u>\$ 306,679</u>

See accompanying notes.



# CAMBRIDGE PUBLIC LIBRARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 1. SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

#### Nature of Activities

Cambridge Public Library Foundation (“the Foundation”) is a non-profit organization formed in Massachusetts on October 15, 2015. The Foundation was created to support the purpose, mission, operations, infrastructure, and other aspects of the public libraries of the City of Cambridge, Massachusetts. The Foundation is dependent on contribution income and is governed by a Board of Directors.

#### Basis of Accounting

The financial statements of Cambridge Public Library Foundation (the “Foundation”) have been prepared on the accrued basis of accounting for both financial reporting and federal income tax purposes in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for financial statements of not-for-profit organizations.

#### Recently Adopted Accounting Pronouncement

In 2019, the Organization adopted FASB’s Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Organization’s net asset classes, results of operations, or cash flows for the years ended June 30, 2020 and 2019.

#### Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Foundation.

Net assets with donor restrictions are amounts received or committed by donors with purpose or time restrictions that have not yet been met.

Cambridge Public Library Foundation  
Notes to Financial Statements

Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash and cash equivalents at one financial institution which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks on its cash and cash equivalent account.

Accounts and Pledges Receivable

The Foundation carries its accounts receivable at the amount expected to be received. The Foundation's accounts receivable related to amounts due from another organization. The Foundation evaluates its accounts receivable for collectability on a regular basis and establishes an allowance for doubtful accounts if considered necessary. The Foundation does not charge interest or require collateral on its accounts receivable.

Unconditional promises to give, if any, are included in the financial statements as pledges receivable and support of the appropriate net asset category subject to a discount, if applicable, when a donor makes a promise that is, in substance, unconditional, or due in more than one year. The accounts and pledges receivable at June 30, 2020 is \$116,333, with a discount of \$ 1,319, a reduction of 2% per year for those amounts due in future years beginning in July 2020.

The following table presents maturities of the accounts and pledges receivable at June 30, 2020 and 2019 by time remaining to maturity:

<u>Maturity</u>	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 70,196	\$ 19,800
Due in one to five years	37,279	57,279
Due in five or more years	<u>8,858</u>	<u>8,858</u>
Total	<u>\$ 116,333</u>	<u>\$ 85,937</u>

The Foundation closely monitors outstanding balances and writes off as of year-end all balances that are uncollectible. Based on the Foundation's assessment of the credit history with the donor having an outstanding balance and current relationship with them, it has concluded losses on balances outstanding at year-end, if any, will be immaterial.

Investments

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

#### Office

The Foundation uses space in the Cambridge Public Library building at 449 Broadway, in Cambridge, Massachusetts. The Foundation receives free office space and utilities. If the Foundation did not receive office space and utilities free of charge, the operating expenses would have increased, resulting in less net income and net assets.

#### Revenue Recognition

Contributions, including promises to give, without donor restrictions are recognized as revenue when unconditionally committed or received. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred or as time restrictions lapse.

#### Contributions of Services

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

The Foundation receives services from members of the Board of Directors and officers of the Foundation and uses certain space free of charge. The value of these goods and services is not reflected in the accompanying financial statements.

#### Income Taxes

The Foundation is exempt from Federal income taxes under the Internal Revenue Code Section (501) (c) (3) and therefore has made no provision for Federal income taxes. The Foundation has no unrelated business income. The Foundation's tax return, form 990, for the years ending June 30, 2019 and 2020 are subject to examination by the IRS, generally for three years after they are filed.

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The Foundation's information returns are subject to examination by the Federal and state jurisdictions.

The Foundation has not taken any tax positions, including any tax positions that would jeopardize its tax exempt status, which would have a material effect, individually or in the aggregate, on its financial statements and thus has not recorded a liability at June 30, 2020 and 2019.

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, expenses directly related to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the current year presentation.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$252 and \$18,782 for the years ended June 30, 2020 and 2019, respectively.

2. INVESTMENTS

Investments are reported at fair market value based on quoted prices in active markets (all Level 1 measurements). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Gains or losses on sales of investments held, are recorded independently in each net asset class.

The following schedule summarizes the investment return, net and its classification in the statement of activities for the years ended June 30, 2020 and 2019:

	2020	2019
	<u>Total</u>	<u>Total</u>
Interest and dividends	\$ 21,250	\$ 24,927
Investment fee	(10,824)	(10,641)
Unrealized gain, (loss)	38,626	96,692
Realized loss	<u>(4,975)</u>	<u>(2,195)</u>
Total investment return, net	<u>\$ 44,077</u>	<u>\$ 108,783</u>

Cambridge Public Library Foundation  
Notes to Financial Statements

The following is a summary of the investment portfolio as of June 30, 2020 at cost and market value:

<u>Asset Class</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed Income:			
U.S. Government and Agencies	\$ 176,042	\$ 181,782	\$ 5,740
U.S. Corporate Bonds	249,542	272,010	22,468
Mortgage Backed Securities	47,218	48,219	1,001
Equity Securities:			
Consumer Discretionary	51,073	63,506	12,433
Consumer Staples	38,951	41,291	2,340
Exchange Traded Funds	21,981	24,491	2,510
Financials	71,731	66,080	(5,651)
Health Care	68,623	97,911	29,288
Industrials	59,564	65,008	5,444
Materials	18,519	19,298	779
Communication Service	5,386	5,513	127
Utilities	18,944	14,840	(4,104)
Information Technology	111,257	167,933	56,676
Mutual Funds	41,732	36,099	(5,633)
Real estate	<u>26,752</u>	<u>37,058</u>	<u>10,306</u>
Total	<u>\$ 1,007,315</u>	<u>\$ 1,141,039</u>	<u>\$ 133,724</u>

The following is a summary of the investment portfolio as of June 30, 2019 at cost and market value:

<u>Asset Class</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Fixed Income:			
U.S. Government and Agencies	\$ 225,140	\$ 227,484	\$ 2,344
U.S. Corporate Bonds	241,148	254,056	12,908
Equity Securities:			
Consumer Discretionary	46,513	57,698	11,185
Consumer Staples	51,045	58,888	7,843
Exchange Traded Funds	19,066	19,924	858
Financials	67,935	66,282	(1,653)
Health Care	81,781	97,244	15,463
Industrials	56,376	69,206	12,830
Information Technology	113,876	148,903	35,027
Mutual Funds	54,962	48,572	(6,390)
Real estate	<u>19,736</u>	<u>24,419</u>	<u>4,683</u>
Total	<u>\$ 977,578</u>	<u>\$ 1,072,676</u>	<u>\$ 95,098</u>

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift amount of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Net Composition

Net assets with donor restrictions (endowment) composition by Type of Fund as of June 30, 2020:

	<u>Total</u>
Donor-restricted endowment funds	\$ 316,567
Donor and Board-designated endowment funds	<u>117,928</u>
Total	<u>\$ 434,495</u>

Net assets with donor restrictions (endowment) composition by Type of Fund as of June 30, 2019:

	<u>Total</u>
Donor-restricted endowment funds	\$ 197,618
Donor and Board-designated endowment funds	<u>117,928</u>
Total	<u>\$ 315,546</u>

Cambridge Public Library Foundation  
Notes to Financial Statements

Changes in net assets with donor restrictions (endowment) for the Fiscal Year Ended June 30, 2020:

	<u>Total</u>
Endowment net assets, beginning of year	\$ 315,546
Contributions	<u>118,949</u>
Endowment net assets, end of year	<u>\$ 434,495</u>

Changes in net assets with donor restrictions (endowment) for the Fiscal Year Ended June 30, 2019:

	<u>Total</u>
Endowment net assets, Beginning of year	\$ 300,546
Contributions	<u>15,000</u>
Endowment net assets, end of year	<u>\$ 315,546</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 UPMIFA requires the Foundation 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 that occurred shortly after the investment of new permanently restricted contributions. There were no such deficiencies as of June 30, 2020 and 2019.

Return Objectives and Risk Parameters

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend). The Foundation 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 Foundation has a policy of appropriating for distribution approximately 5 to 10% of each contribution for administration cost of the endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

4. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, net assets with donor restrictions consist of funds held for:

	<u>2020</u>	<u>2019</u>
Grant for children's programs including the welcome baby program, and certain naming and designation of library property	\$ 381,900	\$ 361,013
Grant for seniors	67,680	45,552
Grants for literacy and other programs	128,089	101,334
Permanently restricted endowment	<u>434,495</u>	<u>315,546</u>
	<u>\$ 1,012,164</u>	<u>\$ 823,445</u>

5. LIQUIDITY AND AVAILABILITY

The Foundation strives to maintain liquid financial assets, sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are generally invested in short-term investments. The following table reflects the Foundation's financial assets (cash), excluding investments, as of June 30, 2020 and 2019 all of which should be available to meet general expenditures within one year.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	<u>\$ 411,293</u>	<u>\$ 280,814</u>

6. JOINT FUNDRAISING SOLICITATION IN 2020

The Foundation entered into an agreement with another non-profit organization, the Friends of the Cambridge Library, Inc. ("Friends"), to engage in a single, joint fall fundraising campaign, the duration of which was November 8, 2019-January 31, 2020. It was agreed that 80% of the funds raised would be retained by the Foundation. The Friends received 20% of the total receipts and absorbed 20% of the costs of the mailing and accounting related to the appeal, amounting to approximately \$1,750. The joint campaign raised approximately \$179,000 including the donations that were received directly by the Friends, and netted approximately \$143,000 to the Foundation.

The Campaign was not extended further after the one-time solicitation.



7. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in one financial institution and one wealth management account. At June 30, 2020, the Foundation had approximately \$380,000 in balances unsecured by FDIC or exceeding the FDIC insurance limit. There were approximately \$131,000 balances in a bank exceeding the FDIC insured limit in 2019.

8. RELATED PARTY REVENUES

Revenues include approximately \$90,000 and \$78,000 of contributions received from Board members for the years ended June 30, 2020 and 2019, respectively.

9. FAIR VALUE MEASUREMENT

The Foundation reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of 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 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 or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation include:

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cambridge Public Library Foundation  
Notes to Financial Statements

The asset's or liability's fair 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 at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2020 and 2019. The investments have increased by \$68,363 and \$55,702 in the years ended June 30, 2020 and 2019, respectively.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and cash equivalents: Valued at cost.  
Investments: Valued at market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Families First believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the Foundation's assets at fair value.

<u>Assets at fair value as of June 30, 2020</u>		
(In thousands)		
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 411	\$ 411
Investments	<u>1,141</u>	<u>1,141</u>
	<u>\$ 1,552</u>	<u>\$ 1,552</u>

<u>Assets at fair value as of June 30, 2019</u>		
(In thousands)		
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 281	\$ 281
Investments	<u>1,073</u>	<u>1,073</u>
	<u>\$ 1,354</u>	<u>\$ 1,354</u>

Valuation and Income Recognition

The Foundation's cash and cash equivalents and investments as of June 30, 2020 and 2019 are stated at fair value.

The aggregate of the fair value amounts presented above do not necessarily represent the underlying value of the Foundation.

10. SUBSEQUENT EVENTS

Foundation management has evaluated all subsequent events through September 10, 2020, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

In March 2020, the COVID-19 outbreak in the United States has resulted in the closures of many businesses and a marked reduction in economic activity. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Foundation expects this matter to impact its operating results, but the related financial impact and duration cannot be reasonably estimated at this time.