

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

June 7, 2017

Board of Directors
Cambridge Public Library Foundation
Cambridge, Massachusetts

We have audited the financial statements of Cambridge Public Library Foundation (the "Foundation") for the period ended June 30, 2016, and have issued our report thereon dated June 7, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 14, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cambridge Public Library Foundation are described in Note 1 to the financial statements. We noted no transactions entered into by the Foundation during the period October 15, 2015 through June 30, 2016 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the receivables and revenues are based on documentation. We evaluated the key factors and assumptions used to develop the documentation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were audit adjustments with a net effect of approximately \$709,000 increasing net assets.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 7, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Organizational Structure/Controls

The size of the Foundation's accounting staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors or other designated officials remain involved in the financial affairs of the Foundation to provide oversight and guidance on a day to day basis. We suggest management consider the use of an accounting professional to periodically review the accounting and provide oversight in a part time controller type of position.

Policies

There are a number of corporate and governance policies that should be developed or considered, including but not limited to those covering related party/insider transactions, accounting, investments, human resources, whistleblower protection, and document retention and destruction.

Funds Held by Cambridge Community Foundation (CCF), Former Fiscal Agent

There are two funds held by CCF, Weiland and Rogers funds, respectively. It is unclear as to whether these funds are to be held indefinitely by CCF. As of June 30, 2016, these funds were noted in the financial statements but not included in them, together these 2 funds amount to approximately \$66,700.

Final Accounting from Fiscal Agent prior to Incorporation

At the present time, there is a summary of the receipts collected by the fiscal agent on behalf of CPLF. A final accounting for any amounts paid out for these funds for expenses or contributions to the Cambridge Library has not been produced for the Foundation's information.

Informational Tax Returns as of June 30, 2016


The audit uncovered a few items required to be included in the financial statements and therefore the June 30, 2016 tax returns will have to be amended in the future.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors.

However, we had no such discussions prior to our selection.

This information is intended solely for the use of Board of Directors and management of Cambridge Public Library Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Michael J. Walsh, CPA

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

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, 2016, and the related statements of activities and changes in net assets, and cash flows for the period October 15, 2015 through June 30, 2016, 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 audit. 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.

1.

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, 2016, and the results of its operations and its cash flows for the period October 15, 2015 through June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

June 7, 2017

Wahl & Co.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 691,794
Accounts receivable	3,335
Pledge receivable	<u>83,126</u>
Total Current Assets	<u>778,255</u>
Total Assets	<u>\$ 778,255</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	<u>\$ 8,547</u>
Total Liabilities	<u>8,547</u>
Commitments and contingencies	
Net Assets:	
Unrestricted	156,629
Temporarily restricted	430,461
Permanently restricted	<u>182,618</u>
Total Net Assets	<u>769,708</u>
Total Liabilities and Net Assets	<u>\$ 778,255</u>

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
PERIOD FROM OCTOBER 15, 2015 TO JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 181,338	\$ 430,461	\$ 182,618	\$ 794,417
Interest income	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total Support and Revenue	<u>181,343</u>	<u>430,461</u>	<u>182,618</u>	<u>794,422</u>
EXPENSES:				
Program Services	1,105			1,105
General and administrative	5,528			5,528
Fundraising	<u>18,081</u>	<u>-</u>	<u>-</u>	<u>18,081</u>
	24,714			24,714
INCREASE IN NET ASSETS	156,629	430,461	182,618	769,708
NET ASSETS				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 156,629</u>	<u>\$ 430,461</u>	<u>\$ 182,618</u>	<u>\$ 769,708</u>

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS
PERIOD FROM OCTOBER 15, 2015 TO JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 769,708

Adjustments to reconcile change in net assets
to net cash used in operating activities:

Increase in accounts receivable (3,335)

Increase in pledge receivable (83,126)

Increase in accounts payable 8,547

Net Cash Provided By Operating Activities 691,794

NET CHANGE IN CASH AND
CASH EQUIVALENTS

691,794

CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR

-

CASH AND CASH EQUIVALENTS,
END OF YEAR

\$ 691,794

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
PERIOD FROM OCTOBER 15, 2015 TO JUNE 30, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising		\$ 360		\$ 360
Bank charges		21		21
Consultants	\$ 1,105	3,315	\$ 17,680	22,100
Donor solicitation			401	401
Filing fees		850		850
Meetings		648		648
Professional fees		144		144
Office		190		190
	<u>\$ 1,105</u>	<u>\$ 5,528</u>	<u>\$ 18,081</u>	<u>\$ 24,714</u>

See accompanying notes.

CAMBRIDGE PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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.

There were funds received from donors earmarked for the benefit of the Cambridge Public Library before the Foundation became a legal entity. Those funds were held by an independent fiscal agent. This fiscal agent remitted the funds, net of disbursements made on behalf of the Cambridge Public Library, during 2016. Total amounts remitted to the Foundation from its fiscal agent, the Cambridge Community Foundation, amounted to approximately \$649,000, of which approximately \$430,000 as temporarily restricted funds and \$183,000 as permanently restricted funds. Although management has not obtained a final accounting for the disbursements by the fiscal agent prior to the funds being transferred to the Foundation, management believes no material change, if any, should result.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for financial statements of not-for-profit organizations. Under the ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation and which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those amounts received with donor restrictions which have not yet been expended for their designated program purposes or had their time restrictions lapse. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restriction. Temporarily restricted net assets as of June 30, 2016 amounts to approximately \$430,000. These funds were identified as being temporarily restricted by the donor.

Permanently Restricted Net Assets

Permanently restricted net assets consist of funds which are restricted by donors against any expenditures of principal. Income generated by the permanently restricted assets is available for use in operations. As of June 30, 2016, there was \$182,618 in permanently restricted net assets. These funds were identified as being permanently restricted by the fiscal agent.

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. 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.

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.

Support and Revenue

Unrestricted contributions and grants are recorded as support when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor or grant Donor and grant restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. Transfers are made to unrestricted net assets as costs are incurred or 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.

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 period ending June 30, 2016 is subject to examination by the IRS, generally for three years after it was filed.

Generally accepted accounting principles prescribes the threshold a tax position is required to meet before being recognized in the financial statements. The tax-exempt status of an entity is considered a tax position. An additional liability for uncertain tax positions ("UTPs") is recognized and recorded as a component of current income tax expense for differences between financial and income tax reporting positions which do not meet the threshold. Any interest and penalties related to UTPs are recorded as a component of income tax expense.

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, 2016.

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.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$360 for the period ended June 30, 2016.

2. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets consist of funds held for:

Grant for children's programs including the welcome baby program, and certain naming and designation of library property.	<u>\$ 430,461</u>
------------------------------------------------------------------------------------------------------------------------------	-------------------

3. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in one financial institution. At June 30, 2016, the Foundation had approximately \$441,000 in balances exceeding the FDIC insurance limit at any one bank.

4. RELATED PARTY REVENUES

Revenues include approximately \$128,105 of contributions received from Board members for the period ended June 30, 2016.

5. INTEREST IN AGENCY FUND

Cambridge Public Library Foundation is the beneficiary of two funds at the Cambridge Community Foundation. Distributions may be made to the Foundation. The balance of the funds on June 30, 2016 totaled approximately \$66,700.

6. 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.

Cambridge Public Library Foundation
Notes to Financial Statements

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.

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.

Cash and cash equivalents: Valued at cost.

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, 2016</u>	
	(In thousands)	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 692</u>	<u>\$ 692</u>

Valuation and Income Recognition

The Foundation's cash and cash equivalents as of June 30, 2016 are stated at fair value.

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

11. SUBSEQUENT EVENTS

Foundation management has evaluated all subsequent events through June 7, 2017, 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.