

JAMES PRENDERGAST LIBRARY ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Trustees of
James Prendergast Library Association
509 Cherry Street
Jamestown NY 14701

Opinion

We have audited the accompanying financial statements of the James Prendergast Library Association a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James Prendergast Library Association, as of December 31, 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the James Prendergast Library Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 James Prendergast Library Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 James Prendergast Library Association'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 James Prendergast Library Association'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.

Report on Summarized Comparative Information

We have previously audited the James Prendergast Library Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bahgat & Laurito-Bahgat,
Certified Public Accountants, P.C.
Fredonia, New York

July 11, 2023

JAMES PRENDERGAST LIBRARY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 310,287	\$ 178,687
Savings and short-term investments	238,616	203,906
Prepaid contributions to retirement system	50,492	56,194
Total Current Assets	599,395	438,787
PROPERTY AND EQUIPMENT		
Property plant & equipment net of accumulated depreciation	2,093,435	1,970,032
OTHER ASSETS		
Investments	7,094,434	8,501,204
Art collection	35,300	35,300
Total Other Assets	7,129,734	8,536,504
TOTAL ASSETS	\$ 9,822,564	\$ 10,945,323
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 40,522	\$ 2,545
Sales tax payable	-	1,520
Accrued payroll liabilities	596	4,290
Accrued compensatory time	33,127	30,007
Amounts held in custody for others	1,732	1,732
Total Current Liabilities	75,977	40,094
NET ASSETS		
Without donor restrictions	9,446,982	10,618,128
With donor restrictions	299,605	287,101
Total Net Assets	9,746,587	10,905,229
TOTAL LIABILITIES AND NET ASSETS	\$ 9,822,564	\$ 10,945,323

JAMES PRENDERGAST LIBRARY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Foundations and trusts	\$ 252,190	\$ -	\$ 252,190	\$ 98,976
Section 259 Tax Collection	350,000	-	350,000	350,000
New York State & other governments	86,187	137,896	224,083	18,659
Chautauqua-Cattaraugus Library System	168,113	-	168,113	163,516
Gifts and donations	5,279	-	5,279	4,417
In-kind Advertising	16,000	-	16,000	-
Fundraising	126,444	-	126,444	80,873
Fines and fees	25,086	-	25,086	18,667
Interest and dividend income	261,197	-	261,197	326,066
Net realized and unrealized gains (losses) on investments	(1,417,038)	-	(1,417,038)	710,562
Payroll protection loan	-	-	-	197,173
Other income	4,281	-	4,281	-
Net assets released from restriction	125,392	(125,392)	-	-
Total Revenue and Support	<u>3,131</u>	<u>12,504</u>	<u>15,635</u>	<u>1,968,909</u>
EXPENSES				
Library Operations	1,060,473	-	1,060,473	911,626
Management and General	101,110	-	101,110	101,004
Fundraising	12,694	-	12,694	11,252
Total Expenses	<u>1,174,277</u>	<u>-</u>	<u>1,174,277</u>	<u>1,023,882</u>
CHANGE IN NET ASSETS	(1,171,146)	12,504	(1,158,642)	945,027
NET ASSETS, at beginning of year	<u>10,618,128</u>	<u>287,101</u>	<u>10,905,229</u>	<u>9,960,202</u>
NET ASSETS, at end of year	<u><u>\$ 9,446,982</u></u>	<u><u>\$ 299,605</u></u>	<u><u>\$ 9,746,587</u></u>	<u><u>\$ 10,905,229</u></u>

**JAMES PRENDERGAST LIBRARY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Programs</u>	<u>Supporting Activities</u>		<u>Totals</u>	
	<u>Library Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 548,181	\$ 45,428	\$ 4,987	\$ 598,596	\$ 525,352
NYS Retirement	48,228	7,178	788	56,194	52,851
Books and periodicals	72,200	-	-	72,200	60,176
Grants program expenses	60,709	-	-	60,709	50,326
Employee benefits	46,776	3,180	349	50,305	44,695
Utilities	37,054	9,263	-	46,317	47,025
Payroll taxes	40,243	3,634	399	44,276	38,582
Insurance	16,724	4,181	-	20,905	19,349
Repairs and maintenance	24,638	6,159	-	30,797	21,156
Legal and professional	15,199	-	-	15,199	19,408
Office expenses	9,659	1,811	604	12,074	11,422
Computers and software	6,955	-	-	6,955	11,384
Fundraising materials	-	-	5,567	5,567	3,950
DVD's	8,133	-	-	8,133	8,753
Audio	3,756	-	-	3,756	888
E-books	12,165	-	-	12,165	4,863
Online Databases	6,696	-	-	6,696	11,667
Custodial supplies	2,665	666	-	3,331	4,119
Programs	6,053	-	-	6,053	3,793
In-Kind Advertising	16,000	-	-	16,000	-
Miscellaneous expenses	12,146	3,037	-	15,183	8,181
Total expenses before depreciation	994,180	84,537	12,694	1,091,411	947,940
Depreciation	66,293	16,573	-	82,866	75,942
Total expenses	<u>\$ 1,060,473</u>	<u>\$ 101,110</u>	<u>\$ 12,694</u>	<u>\$ 1,174,277</u>	<u>\$ 1,023,882</u>

**JAMES PRENDERGAST LIBRARY ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,158,642)	\$ 945,027
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	82,866	75,942
Net realized gains	(236,308)	(143,504)
(Increase)/Decrease in the following:		
Prepaid retirement system contribution	5,702	(3,343)
Accounts payable	37,977	(3,807)
Sales tax payable	(1,520)	-
Accrued payroll liabilities	(3,694)	887
Accrued Compensatory time	3,120	3,282
Net cash (used in) provided by operating activities	(1,270,499)	874,484
Cash flows from investing activities		
Purchases of property and equipment	(206,269)	(118,458)
Purchases of investments	(1,234,783)	(2,235,959)
Proceeds from sales of investments	2,877,861	1,341,915
Net cash provided by (used in) investing activities	1,436,809	(1,012,502)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	-	89,413
Forgiveness of Paycheck Protection Program	-	(197,173)
Net cash (used in) provided by financing activities	-	(107,760)
Net change in cash and cash equivalents	166,310	(245,778)
Cash and cash equivalents, beginning of year	382,593	628,371
Cash and cash equivalents, end of year	\$ 548,903	\$ 382,593

<p style="text-align: center;">James Prendergast Library Association Notes to Financial Statements</p>
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The James Prendergast Library Association (“The Association”) is a not-for-profit agency which operates and provides library services in Jamestown, New York. The James Prendergast Library is an Association Library District. This model is available to libraries currently chartered as Association Libraries that do not want to relinquish their “private” status by re-chartering as a School District Public Library or a Special Legislative District Public Library. Although an Association Library District is not a public entity, the library can emulate the basic characteristics of a public library district by providing a process for the library to secure operating revenue through a public budget vote.

The Association receives revenue from the State of New York, the City of Jamestown, New York, Chautauqua-Cattaraugus Library System, Section 259 tax levy collection, fundraising activities and contributions from foundations and trusts, charitable organizations, corporations and individuals.

BASIS OF ACCOUNTING

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

The Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions which are described as follows:

With Donor Restriction

Donor restricted net assets are subject to donor imposed stipulations that may or will be met either by actions of the Association and/or passage of time. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Additionally, the Association has net assets subject to donor imposed stipulations that require the net assets be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or a part of the income earned on any related investments for general or specific purposes. See Note 5.

Without Donor Restriction

Net assets without donor restriction are not subject to donor imposed stipulation.

James Prendergast Library Association
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for year ended December 31, 2021, from which the summarized information was derived.

INVESTMENTS

Investments are reported at market value on the Statements of Financial Position. Realized and unrealized gains and losses on investments are reflected in the Statements of Activities, net of investment fees.

RESTRICTED AND UNRESTRICTED REVENUE

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

DONATED SERVICES

Donated services are recognized as contributions at fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, which are performed by individuals with those skills and would otherwise be purchased by the Association. The library received donated advertising in 2022 that was valued at \$16,000 based on the provider's Fair market value of providing radio advertising to customers. Numerous volunteers also provided governance and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

<p style="text-align: center;">James Prendergast Library Association Notes to Financial Statements</p>
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash restricted for the acquisition of property, equipment or leasehold improvements, are reported as with donor restriction. At the time donated or acquired assets are placed in service, the Association reclassifies net assets with donor restriction to net assets without donor restriction. Property and equipment are depreciated when placed in service over estimated useful lives using the straight-line method. The Association's policy is to capitalize acquisitions of \$1,000 or more and having estimated useful lives of more than one year.

INCOME TAXES

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association did not have any unrelated business income in 2022 or 2021. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

COMPENSATORY TIME

Employees are granted vacation in varying amounts based on date of hire, exempt (professional) versus non-exempt (non-professional) status and length of service. Sick leave is granted at a rate of 12 days per year, based on full-time employment, and may be accrued to a maximum of 165 days. Unused sick leave credits may be used at the time of retirement to extend years of service credit, but not to qualify for early retirement.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

James Prendergast Library Association
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADOPTION OF ACCOUNTING PRONOUNCEMENT

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU is applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, accordingly, the Association adopted the standard for year ending December 31, 2022, and this accounting guidance did not have a material effect on the Association’s financial statements.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, except for those held as part of the investment portfolio.

ART COLLECTION

Funds to purchase the art collection pieces were donated to the Association by its founders. Various estates donated additional pieces. The Association classifies the art collection as a capitalized asset without the standard application of depreciation, due to the cultural value of the collection.

During the year ended December 31, 2022, the Association did not sell any pieces of the collection. As of December 31, 2022, twelve pieces remain. The Association intends to retain these pieces of art, which include portraits of Prendergast family members as well as ones of local interest. The collection was valued and adjusted in 2018 to the estimated average of the high /low 2017 estimate provided by Sotheby’s. The value of the art collections at December 31, 2022 and 2021 was \$35,300.

James Prendergast Library Association Notes to Financial Statements
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Association’s financial instruments approximate their carrying values due to the short-term nature of maturities and expected collection or payment periods or because the terms are similar to market terms.

RECLASSIFICATIONS

Certain prior-year financial statement items have been reclassified to conform to the current period financial statement presentation.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following, at December 31:

	2022	2021
Buildings and equipment	\$ 4,797,067	\$ 4,590,798
Computer software	47,417	47,417
	4,844,484	4,638,215
Less accumulated depreciation	2,751,049	2,668,183
Property and equipment, net	\$ 2,093,435	\$ 1,970,032

Depreciation expense was \$82,866 and \$75,942, for 2022 and 2021 respectively.

NOTE 3 – RETIREMENT PLAN

The Association participates in the New York State and Local Employees’ Retirement System (NYSERS). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State’s financial report as a pension trust fund. The NYSERS offers a wide range of plans & benefits, which are related to years of service and final average salary. NYSERS issues a publicly available financial report that includes consolidated financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

James Prendergast Library Association Notes to Financial Statements
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NOTE 3 – RETIREMENT PLAN (Concluded)

The NYSERS is noncontributory for employees who joined prior to July 27, 1976. Employees who join the NYSERS after July 27, 1976 and prior to January 1, 2010 contribute 3% to 3.5% of their salary. With the exception of NYSERS tier V and VI employees, employees in the NYSERS greater than ten years are no longer required to contribute. In addition, employee contribution rates under NYSERS tier VI vary based on a sliding scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members’ pension accumulation fund. The Association is required to contribute at an actuarially determined rate. The Association contributions made to NYSERS were equal to 100 percent of the contributions required. The required contributions for the current year and two preceding years were as follows:

	NYSERS
2022 -2023	\$ 50,492
2021-2022	\$ 56,194
2020-2021	\$ 52,851

Pension Expense recorded for calendar year 2022 was \$56,194.

For NYSERS, employer contributions are paid annually based on the System’s fiscal year, which ends on March 31st. Prepaid retirement contributions as of December 31, 2022 represent the projected employer contribution for the period of April 1, 2022 through March 31, 2023 based on paid NYSERS covered wages multiplied by the employer’s contribution rate. Prepaid retirement contributions as of December 31, 2022 amounted to \$50,492 of employer contributions.

The Association was not listed in the plan’s most recent available audited financial statements for providing more than five percent of the total contributions to the plan for the years ended March 31, 2022. The Employer Identification Number for NYSERS is 16-0840340. The most recent Pension Protection Act (PPA) zone is green at March 31, 2022, which is based on the funded ratio as of April 1, 2021 and is disclosed in the plan’s audited consolidated financial statements. Among other factors, plans in the red zone are general less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status	
			2022	2021
NYSERS	16-0840340	50101	Green as of 3/31/22	Green as of 3/31/21

James Prendergast Library Association Notes to Financial Statements
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NOTE 4 – RELATED PARTY TRANSACTIONS

The accompanying financial statements include only the accounts of the Association. The Association is considered a related party to Chautauqua-Cattaraugus Library System (“CCLS”). The Association Co-Central library status was revoked for 2020 however, it received a maintenance of effort waiver and was still able to receive support from the state and counties through CCLS. The Association regained member status for 2021. CCLS aids members in other ways including training, public relations, technical services, and grants. During the years ended December 31, 2022, and 2021, the Association received income of \$168,113 and \$163,516 respectively, which includes the base rent described in Note 6.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction that are perpetual in nature as of December 31, were as follows:

	2022	2021
General purposes – Purchase of books, periodicals and the presentation of lectures	\$ 161,710	\$ 224,413
Construction purposes- Building repairs and upgrades	137,895	62,688
	\$ 299,605	\$ 287,101

NOTE 6 –LONG-TERM LEASE

The Association leases space to the CCLS. On December 30th 2019, the Association and CCLS entered into a 3 year lease that commenced on January 1, 2020. Pursuant to the lease agreement, for years ended December 31, 2022 and 2021, the Chautauqua-Cattaraugus Library System paid the Association base rent of \$56,000 for each year, paid in monthly installments of \$4,666.67. On December 28, 2022 the lease was extended for two years, through December 2024, at a rate of \$58,500 per year.

NOTE 7 – INVESTMENTS

Investments are reported at market value for financial statement purposes.

The balances as of December 31, 2022 and 2021,

	2022	2021
UBS Financial Services, Inc.- Investment Account	\$ 7,059,656	\$ 8,460,039
American Funds-Mutual Fund Account	34,778	41,165
	\$ 7,094,434	\$ 8,501,204

James Prendergast Library Association Notes to Financial Statements
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NOTE 7 – INVESTMENTS (Concluded)

Fair Value Measurements at Reporting Date

The Association's investments are reported at fair value in the accompanying Statements of Financial Position. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent resources, while unobservable inputs reflect the Association's market assumptions. These types of inputs create the following fair value hierarchy: Level 1 inputs consist of quoted prices for identical instruments in active markets, Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities and model-derived valuations whose significant inputs are observable and Level 3 consists of instruments whose significant inputs are unobservable. The Association uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

Fair Value Measurements at Reporting Date

	December 31, 2022	
	Level 1	Total
Cash and equivalents	\$ 50,291	\$ 50,291
Equities	4,335,702	4,335,702
Fixed income	2,462,149	2,462,149
Commodities	211,514	211,514
Mutual funds	34,778	34,778
	\$ 7,094,434	\$ 7,094,434

	December 31, 2021	
	Level 1	Total
Cash and equivalents	\$ 54,940	\$ 54,940
Equities	5,420,089	5,420,089
Fixed income	2,761,040	2,761,040
Commodities	223,970	223,970
Mutual funds	41,165	41,165
	\$ 8,501,204	\$ 8,501,204

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$44,318 and \$48,714 for the years ended 2022 and 2021, respectively and have been netted against investment revenues in the accompanying Statements of Activities.

James Prendergast Library Association Notes to Financial Statements
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NOTE 8 – ENDOWMENT FUNDS

The Association’s endowment includes both donor-restricted funds and funds designated by the Board of Trustees. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions. As of December 31, 2022, the Board of Trustees had designated \$6,933,840 of net assets without donor restrictions as a general endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Spending policy

The spending policy states that the Association may appropriate for expenditure or accumulate so much of the endowment fund as it deems prudent for uses, benefits, purposes, and duration for which the endowment fund is established. The Association has determined that, in order to achieve its overall financial objective, the spending rate will be set between 5% and 7% of the trailing twenty quarter average market value of each Fund’s portfolio as of the preceding September 30th. Annually, the Board of Directors approves the annual spending policy from this quasi-endowment to help cover annual operating expenses. For December 31, 2022 and 2021, the Board approved quasi-endowment spending of 5% and 6%, respectively based on the balance of the quasi-endowment in the prior 20 quarters. However in 2021, the Board waived all withdrawals. In 2022 and 2021, \$250,846 and \$0 respectively, was withdrawn from the endowment investments for general operating purposes.

Investment policy

Investment policies and management of the board-designated quasi-endowment investments are reviewed annually by the Association. Over the long term, the objective is to provide an annual total return, net of the 5% spending, to keep pace with inflation, thus allowing the investments to provide for increasing annual spending in perpetuity. The Association has adopted an investment policy designed to broadly diversify the individual securities within the endowment and diversify the asset allocation so as to maximize the return potential within specific risk limitation

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Total Endowment <u>Net Assets</u>
Endowment funds with donor restrictions	\$ 160,594
Board-designated endowment funds without donor restrictions	6,933,840
	\$ 7,094,434
Total endowment funds	<u>\$ 7,094,434</u>

James Prendergast Library Association Notes to Financial Statements
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NOTE 8 – ENDOWMENT FUNDS (Concluded)

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions (see Note 5)</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 8,276,970	\$ 224,234	\$ 8,501,204
Contributions	-	-	-
Investment income	541,741	-	541,741
Net unrealized loss	(1,653,346)	-	(1,653,346)
Amounts appropriated for expenditure	<u>(231,525)</u>	<u>(63,640)</u>	<u>(295,165)</u>
 Endowment net assets, end of the year	 <u>\$ 6,933,840</u>	 <u>\$ 160,594</u>	 <u>\$ 7,094,434</u>

NOTE 9 – ACCRUED COMPENSATORY TIME

The Association established a paid vacation plan for eligible part-time and full-time employees. Part-time employees earn vacation time if they work a total of 260 hours or more in a quarter. The plan is calculated by taking the number of hours worked in the quarter divided by 13 weeks divided by 4. Full-time professionals with 10 years of service receive 20 days of vacation time annually. Full-time employees with less than 10 years of service receive 15 days of vacation annually. Non-professionals who have been employed 10 or more years also receive 20 days of vacation time annually. Non-professionals employed less than 10 years receive 15 days of vacation time annually. Unpaid earned accrued vacation liability for 2022 and 2021 was \$33,127 and \$30,007 respectively.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>
Financial assets at year end	\$ 7,643,337
Less those unavailable for general expenditures within one year due to:	
Donor-restricted	299,605
Board Designated- endowment fund	<u>6,933,840</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 409,892</u>

The Association developed a Strategic Plan for 2021-2024 to develop revenue, fundraising, and cost management plans that position the Association on a sustainable path at any level of public funding.

James Prendergast Library Association
Notes to Financial Statements

NOTE 11 – CONCENTRATION OF CREDIT RISK

The Association maintains several bank accounts at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash at this institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$70,396 at December 31, 2022.

NOTE 12 – CONTINGENCIES, RISKS, AND UNCERTAINTIES

The Association's revenue consists of a variety of governmental funding and investment funds. The governmental funding is dependent on current economic conditions and community needs as defined by governmental units. These funds could be terminated or significantly reduced with minimal notice. Investments in general are exposed to various risk, such as interest rate, credit, and overall market volatility risk. It is reasonably possible that changes in value of the Association's governmental funding and investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE 13 – PAYCHECK PROTECTION LOAN

The Association received loans from Northwest Bank via the U.S. Small Business Administration in 2021, in the amount of \$89,413 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Association applied for and has been notified in 2021 that all \$89,413 in eligible expenditures for payroll and other expenses described in the CARES Act have been forgiven. The \$89,413 is reflected in the Statements of Activities and Changes in Net Assets as income.

NOTE 14 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various activities have been summarized in the Statements of Activities and Changes in Net Assets. The Association allocated its expenses on a functional basis among program and supporting activities and then summarized and categorized based upon their functional classification. Expenses that can be identified with a specific program or activity are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses such as salaries and wages, and employee benefits are allocated on basis of estimates of time and effort. The other expenses that are common to multiple functions are allocated by various statistical percentages determined by management.

James Prendergast Library Association
Notes to Financial Statements

NOTE 15 - SUBSEQUENT EVENTS

Events and transactions which have occurred from December 31, 2022 through July 11, 2023, the date these financial statements were available to be issued, have been evaluated by management for the purpose of determining whether there were any events that might require disclosure in these financial statements.