



Financial Statements
June 30, 2022

The Community Library Association, Inc.

The Community Library Association, Inc.

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Independent Auditor's Report

To the Board of Directors
The Community Library Association, Inc.
Ketchum, Idaho

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The Community Library Association, Inc. (the Library), which comprise the statement of financial position as of June 30, 2022, 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, except for the effects of not including the inventory and contribution revenue for noncash donated items on hand at year end described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Community Library Association, Inc. as of June 30, 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 Qualified Opinion

As more fully described in Note 1 to the financial statements, the Library records contribution revenue from noncash donations, such as furniture or clothing, when the thrift store sells the donated items. Accordingly, inventory and contribution revenue from noncash donations on hand at year end, as well as related sales and cost of sales, have not been recorded. In our opinion, accounting principles generally accepted in the United States of America require that the Library's financial statements include inventory and contribution revenue for noncash donations when donations are made and sales and cost of sales when noncash donations are sold. The effects of this departure from generally accepted accounting principles on the financial position, changes in net assets, and cash flows of The Community Library Association have not been determined.

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 Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Library 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 these 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 Library's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 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 Library'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 Library'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.

Eide Bailly LLP

Twin Falls, Idaho
September 28, 2022

The Community Library Association, Inc.

Statement of Financial Position

June 30, 2022

Assets	
Current Assets	
Cash and cash equivalents	\$ 920,123
Operating investments	433,810
Promises to give, net	391,500
	<u>1,745,433</u>
Total current assets	<u>1,745,433</u>
Noncurrent Assets	
Promises to give, net	648,677
Endowment investments	6,448,279
Property and equipment, net	15,185,415
Deposits and other assets	3,000
	<u>22,285,371</u>
Total noncurrent assets	<u>22,285,371</u>
Total assets	<u>\$ 24,030,804</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 103,477
Accrued expenses	72,805
Income taxes payable	1,948
Deferred revenue	17,324
Other current liabilities	1,934
	<u>197,488</u>
Total current liabilities	<u>197,488</u>
Long-Term Liabilities	
Deferred compensation payable	<u>83,050</u>
Total liabilities	<u>280,538</u>
Net Assets	
Without donor restrictions	
Undesignated	(225,162)
Invested in property and equipment	15,185,415
Board designated endowment	6,073,279
	<u>21,033,532</u>
With donor restrictions	<u>2,716,734</u>
Total net assets	<u>23,750,266</u>
Total liabilities and net assets	<u>\$ 24,030,804</u>

The Community Library Association, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,512,520	\$ 492,195	\$ 2,004,715
Thrift store	1,951,197	-	1,951,197
Consignment store	370,187	-	370,187
Less cost of sales	(176,449)	-	(176,449)
Net thrift and consignment store sales	2,144,935	-	2,144,935
Other income	19,460	-	19,460
Investment loss, net	(1,093,833)	-	(1,093,833)
In-kind contributions	71,619	-	71,619
Net assets released from restrictions	463,903	(463,903)	-
Total revenue and support	3,118,604	28,292	3,146,896
Functional Expenses			
Program services expense			
Library/museum	2,333,492	-	2,333,492
Supporting services expense			
General and administrative	589,086	-	589,086
Fundraising and development	1,255,077	-	1,255,077
Total functional expenses	4,177,655	-	4,177,655
Change in Net Assets	(1,059,051)	28,292	(1,030,759)
Net Assets, Beginning of Year	22,092,583	2,688,442	24,781,025
Net Assets, End of Year	\$ 21,033,532	\$ 2,716,734	\$ 23,750,266

The Community Library Association, Inc.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program	General and Administrative	Fundraising and Development	Total
Compensation and related expenses				
Salaries and wages	\$ 840,403	\$ 136,561	\$ 756,155	\$ 1,733,119
Payroll taxes	57,160	9,125	51,127	117,412
Employee benefits	117,177	27,532	107,344	252,053
Total compensation and related expenses	1,014,740	173,218	914,626	2,102,584
Marketing and communications	152,462	2,402	19,080	173,944
Bank and merchant fees	2,206	1,644	71,307	75,157
Computer and information technology	99,036	5,088	7,409	111,533
Depreciation	604,795	-	-	604,795
Insurance	-	23,022	11,793	34,815
Legal and professional fees	70,731	96,726	2,584	170,041
Library collection	144,925	-	-	144,925
Occupancy	75,321	257,422	188,611	521,354
Office	25,902	14,637	12,733	53,272
Food and beverage	13,630	2,194	6,627	22,451
Other	5,371	405	1,457	7,233
Bad debt expense	1,052	-	-	1,052
Staff development and human resources	8,297	9,026	16,976	34,299
Programming expenses	112,448	725	120	113,293
Supplies	2,576	2,577	1,754	6,907
Total functional expenses	<u>\$ 2,333,492</u>	<u>\$ 589,086</u>	<u>\$ 1,255,077</u>	<u>\$ 4,177,655</u>

The Community Library Association, Inc.

Statement of Cash Flows
Year Ended June 30, 2022

Reconciliation of Change in Net Assets to Net Cash provided by Operating Activities	
Change in net assets	\$ (1,030,759)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	604,795
Amortization of discount	38,417
Non-cash donations	(81,839)
Realized and unrealized loss on investments	1,288,695
Contributions held for long-term purposes	(400,000)
Changes in operating assets and liabilities	
Change in promises to give	4,969
Change in accounts payable and accrued expenses	42,470
Change in deferred revenue	(3,137)
Change in deferred compensation payable	38,497
Net Cash and Cash Equivalents from Operating Activities	<u>502,108</u>
Investing Activities	
Proceeds from the sale of investments	2,268,833
Purchases of investments	(2,182,165)
Purchases of property and equipment	(95,490)
Net Cash and Cash Equivalents used for Investing Activities	<u>(8,822)</u>
Financing Activities	
Net payments on line of credit	(1,000,000)
Collections of contributions restricted for long-term purposes:	
Capital Campaign	371,879
Net Cash and Cash Equivalents used for Financing Activities	<u>(628,121)</u>
Net Change in Cash and Cash Equivalents	(134,835)
Cash and Cash Equivalents, Beginning of Year	<u>1,054,958</u>
Cash and Cash Equivalents, End of Year	<u>\$ 920,123</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	\$ 1,892

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

The Community Library Association, Inc. (the Library) is a private, nonprofit corporation incorporated in the State of Idaho on May 2, 1955. The Library, which is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code, is located in Ketchum, Idaho. The Library offers free services to the City of Ketchum and surrounding areas. The Library does not receive any assistance from property taxes and relies on donations and fundraising.

The Library operates a thrift store which sells donated used merchandise in Ketchum, Idaho. In 2013 the Library also opened a consignment store in Ketchum, Idaho. Both of these activities provide funding for the Library.

Basis of Presentation

The financial statements of The Community Library Association, Inc. have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Use of Estimates

The Library uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash, and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Collections

The Library's collections, which were acquired through purchases and contributions, are not recognized as assets in the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. The Library's collections are made up of historical archival and artifact items such as books, documents, skiing and mining paraphernalia that are held for public exhibition, educational purposes and preservation for future generations. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. Collection items are insured through a blanket limit covering all business property at all locations. The collections are subject to a policy that requires proceeds from their sales to be used for the acquisition of the new collection items, the direct care of existing collections, or both. The Library defines direct care expenditures as costs incurred to enhance the life, usefulness and quality of the collection. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. No collection items were deaccessioned during the year ended June 30, 2022.

Promises to Give

The Library records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022, the allowance was \$115,575.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

It is the Library's policy to capitalize expenditures for items over \$5,000. Property and equipment is stated at cost, or if donated, is recorded at the estimated fair market value at the date of donation. Maintenance and repairs that do not improve or extend the life of assets are currently expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from ten to forty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Library reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Library reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Library reports the support as net assets without donor restrictions. Contributions restricted for capital are released when the related capital project is completed and the project is placed in service.

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 substantially met. There were no conditional promises to give for which conditions had not been met as of June 30, 2022.

Contract liabilities related to gift cards and thrift store credits are reported as deferred revenue in the accompanying statement of financial position. Deferred revenue was \$17,324 and \$20,461, as of June 30, 2022 and July 1, 2021, respectively.

The Library recognizes revenue at a point in time when the customer takes possession of thrift and consignment store merchandise in Ketchum, Idaho.

Donated Service and In-Kind Contributions

Non-cash contributions which have a readily determinable market value and which are intended for internal use by the Library (such as equipment and supplies) are recorded as received based upon their market value at the date of donation. Non-cash contributions, which do not have a readily determinable market value or are not intended for internal use by the Library (such as clothing and furniture donations to the thrift stores), are not recorded as revenue until they are converted to cash.

The Library receives donated services from unpaid volunteers. No amounts have been recognized for these donated services in the statement of activities because the services are not specialized skills that would typically need to be purchased if not provided by donation and thus do not meet the criteria for recognition. Donated professional services are recorded at the respective fair values of the services received.

Fair Value

The Library has adopted FASB 820 Fair Value Measurements and Disclosures for financial assets and liabilities. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous markets on the measurement date. The hierarchy established prioritized fair value measurements based on the types of inputs used in the valuation technique.

Income Taxes

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Library's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Library 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). The Library is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Library files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes that the Library has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Library would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Library is no longer subject to federal income tax examinations for years before 2019.

The Community Library's consignment store's income is unrelated business income and subject to taxation for the fiscal year ending June 30, 2022. The consignment store had no Idaho state income tax and no federal income tax for the period.

Sales Tax

The Library collects various taxes from customers and remits these amounts to applicable taxing authorities. The Library's accounting policy is to exclude these taxes from revenues and cost of sales.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$25,913, for the year ending June 30, 2022.

Fundraising

Fundraising costs include approximately \$994,930 of costs that are directly related to the operation of the Gold Mine Thrift Store and Gold Mine Consignment Store. The remaining costs of \$260,147 are for donor development and general fundraising.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring. The Executive Director's salary is allocated according to the amount of time spent on program and other supporting functions.

Change in Accounting Policy

As of July 1, 2021, the Library adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets. As the total amount of nonfinancial assets contributed in 2022 were immaterial there were no additional disclosures.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 920,123
Net current portion of promises to give	391,500
Operating investments	433,810
Endowment spending-rate distributions and appropriations	<u>182,198</u>
	<u>\$ 1,927,631</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

A board-designated endowment of \$6,073,279 is subject to an annual spending rate of 3 percent as described in Note 12. Although the Library does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3 - Concentration of Credit Risk

The Library maintains its cash balances at a financial institution and at various brokerage accounts. The financial institution account is insured by the FDIC, which insures cash up to \$250,000. The brokerage accounts are insured by the Securities Investment Protection Corporation, which insures cash up to \$250,000. At various times the Library may have exceeded these insured limits. Credit risk associated with promises to give is considered to be limited because substantial portions of the outstanding amounts are due from foundations supportive of the Library's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believes that the investment policies and guidelines are prudent for the long-term welfare of the Library.

Note 4 - Fair Value of Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Library's assessment of the quality, risk, or liquidity profile of the asset.

All of the investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library 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 table sets forth by level, within the fair value hierarchy, the Library's investments at fair value as of June 30, 2022.

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating Investments				
Mutual funds – US equity	\$ 407,586	\$ 407,586	\$ -	\$ -
Mutual funds – Non US equity	26,224	26,224	-	-
	<u>\$ 433,810</u>	<u>\$ 433,810</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment Investments				
Money market funds (at cost)	\$ 2	\$ -	\$ -	\$ -
Mutual funds – US fixed income	723,730	723,730	-	-
Mutual funds – Non US fixed income	632,351	632,351	-	-
Mutual funds – US equity	3,341,629	3,341,629	-	-
Mutual funds – Non US equity	1,750,567	1,750,567	-	-
	<u>\$ 6,448,279</u>	<u>\$ 6,448,277</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Promises to Give

Unconditional promises to give consisted of the following at June 30, 2022:

Promises to give due within one year	\$ 391,500
Promises to give due within one to five years	670,000
Promises to give due over five years	225,000
	<u>1,286,500</u>
Less discount to net present value on promises to give at 3.38%	(130,748)
Less allowance for doubtful accounts	(115,575)
	<u>\$ 1,040,177</u>
Current promises to give, net	\$ 391,500
Non-current promises to give, net	648,677
	<u>\$ 1,040,177</u>

Note 6 - Investments

Investments in mutual funds as of June 30, 2022, are \$6,882,089 with a cost basis of \$6,209,606.

Investment income consisted of \$261,265 (including \$197,933 from the endowment fund and \$63,332 from other investment accounts) in interest and dividends and \$1,330,012 realized and unrealized losses. Investment advisor fees were \$25,086.

Note 7 - Property and Equipment

At June 30, 2022, property and equipment consists of the following:

Land and improvements	\$ 1,700,311
Buildings and improvements	15,539,157
Furniture and equipment	1,680,984
	<u>18,920,452</u>
Less accumulated depreciation	(3,735,037)
	<u>\$ 15,185,415</u>

Note 8 - Line of Credit

The Library entered into a \$1,400,000 line of credit agreement in August 2019 which was secured by a two-year certificate of deposit from the Library's endowment. The agreement matured on August 28, 2021. Borrowings under the line of credit bore interest at LIBOR + 1.75%. Borrowings under the line of credit were subject to certain covenants and restrictions on indebtedness. During the fiscal year, the line of credit was paid off in full and not renewed.

Note 9 - Net Assets With Donor Restrictions

At June 30, 2022, net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose	
The Hemingway Preserve	\$ 1,200,000
Ed Dumke Memorial	12,000
Idaho literature award	5,000
Playwright residency	15,957
Book display table	35,000
Chihuly exhibit	25,000
Sun Valley Early Literacy Summit	<u>8,600</u>
	<u>1,301,557</u>
Subject to the Passage of Time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>1,040,177</u>
Endowments	
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	
Hemingway House Endowment	<u>375,000</u>
	<u>\$ 2,716,734</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Website redesign	\$ 15,000
Programming Meyer	6,000
Jack Grove residency	20,000
Playwright residency	7,638
Re-Imagine Campaign	415,265
	<u>463,903</u>
	<u>\$ 463,903</u>

The Hemingway Preserve consists of 13.96 acres of land and property that was donated to The Community Library in May 2017 by the Nature Conservancy. A Conservation Easement encumbers 11.76 acres of the property with the purpose of preserving and protecting in perpetuity the conservation values as well as the cultural values aligned with the landowner's mission.

The remainder of the property consists of the Hemingway House surrounded by 2.2 acres of land. The Hemingway House site is not burdened by the Conservation Easement but was donated pursuant that the Library maintains the property and continues its historical preservation as a "wildlife preserve and nature reference library". In addition, the Library shall not take any action that may cause the property's listing on the National Register of Historic Places to terminate.

The Library also may not sell or transfer the Property without approval from the Nature Conservancy until May 2024. Any purchaser or transferee must be a charitable organization or governmental entity.

Note 10 - Related Party Transactions

The Library received approximately \$297,000 in support from various board members during the year ended June 30, 2022.

Note 11 - Retirement Plan

The Library has a 401(k) Qualified Retirement plan covering all full-time employees. After 60 days of employment, employees may make elective deferral contributions to the plan, up to certain limits established by Internal Revenue Code §401(k). The Library may make discretionary profit sharing or employer matching contributions. Discretionary contributions for the year ended June 30, 2022, were \$43,478.

Note 12 - Endowment Funds

The Library's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the board designated endowment amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Board of Directors of the Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library retains in perpetuity (a) the original value of initial and subsequent gifts amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Library, and (7) the Library's investment policies.

The Library has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds, that is intended to result in a consistent inflation-protected rate of return. The annual distribution is decided by the board and is based on 3% of a three-year moving average value of the endowment. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

As of June 30, 2022, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 6,073,279	\$ -	\$ 6,073,279
Donor- Restricted Endowment Funds	-	375,000	375,000
	<u>\$ 6,073,279</u>	<u>\$ 375,000</u>	<u>\$ 6,448,279</u>

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 Library to retain as a fund of perpetual duration. The deficiencies of this nature are reported in net assets with donor restrictions and there were not any as of June 30, 2022.

Changes in Endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,203,543	\$ 375,000	\$ 7,578,543
Investment return			
Investment income, net of fees	147,761	-	147,761
Net realized and unrealized gain (loss)	<u>(1,253,347)</u>	<u>-</u>	<u>(1,253,347)</u>
	<u>6,097,957</u>	<u>375,000</u>	<u>6,472,957</u>
Distributions			
Appropriation of endowment assets pursuant to board policy and donor restrictions	<u>(24,678)</u>	<u>-</u>	<u>(24,678)</u>
Endowment net assets, end of year	<u>\$ 6,073,279</u>	<u>\$ 375,000</u>	<u>\$ 6,448,279</u>

Note 13 - Commitments and Contingencies

The Library leases space for the Gold Mine annex. The lease began April of 2000 and was for 20 years ending on April 15, 2020. In August 2019, the Library elected to exercise its option to rent the premises for two additional five-year periods. The monthly rent is approximately \$3,600 and is increased annually by the consumer price index commencing on April 16, 2021.

The Library also leases space for the consignment store with a monthly lease amount of \$2,975 and increases \$75 each year. The current lease began on February 1, 2020 and ends on January 31, 2023.

In addition, the Library leases real property for the Museum from the City under a cancellable lease at an annual rental fee of \$10 a year. The lease expires in October 2023. The Library has a right to extend this lease for two additional two-year terms. See Note 16 for additional information on Museum lease for 2023. Management estimates the fair value of this lease to be higher than the actual rental fee incurred. As such, in-kind revenue and expense have been recorded in the amount of \$54,000 for the year ended June 30, 2022.

Two equipment operating leases began in October 2017 and May 2019, respectively. Each equipment operating lease is for a 60 month term at \$182.50 per month.

A lease commencing September 1, 2019, for a storage unit for the Goldmine Thrift store has been included in the future rent schedule. The lease is for \$130 per month and expires April 15, 2030.

Lease expenses for the year ended June 30, 2022, were approximately \$147,000. Future minimum rental payments under these above agreements are as follows:

2023	\$	72,519
2024		53,342
2025		55,003
2026		58,744
2027		62,747
Thereafter		214,900

Deferred Compensation Agreement

In 2019, the Library entered into a deferred compensation plan with an employee. The plan is effective from March 27, 2019 through January 1, 2028. Under the terms of the agreement, the employee may receive amounts due under the plan in a single payment on January 1, 2028. In the event of death, disability, or termination without cause prior to January 1, 2028, deferred compensation will be paid out in full.

The Library has recognized compensation expense of \$38,497, for the year ended June 30, 2022, related to the plan, and amounts payable under the plan of \$83,050 at June 30, 2022. The liability was discounted at a rate of 3.38%.

Note 14 - Risk Management

The Library is exposed to various risks of loss related to litigation; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Library carried commercial insurance.

Note 15 - Donated Professional Services and Materials

Donated professional services and materials are as follows during the year ended June 30, 2022:

	Program	General and Administrative	Fundraising and Development	Total
Rent	\$ 54,000	\$ -	\$ -	\$ 54,000
Goods	100	-	1,150	1,250
Services	15,063	1,156	150	16,369
	<u>\$ 69,163</u>	<u>\$ 1,156</u>	<u>\$ 1,300</u>	<u>\$ 71,619</u>

During 2022, professional services totaling \$16,369 were donated for consulting projects, catering services and exhibition and display services.

Note 16 - Subsequent Events

Management has evaluated subsequent events through September 28, 2022, the date on which the financial statements were available to be issued.

On July 27, 2022 the Library signed a letter of intent to lease two units of the south half of the first floor of the building located at Walnut and Fourth in Ketchum, Idaho for the museum. The initial term of the lease would be 10 years beginning June 1, 2023 and ending May 31, 2033. The Library will be granted two 10-year options to extend the terms of the lease. Rent for the first year will be approximately \$129,112 with CPI adjustments of 2.5% annually during the initially 10-year term and annually in each year of the two 10-year options. The Library intends to pay for the rent out of the operating budget. The Library is collecting contributions for the museum redesign and has estimated approximately \$1.3M in contributions and associated expenses upcoming in 2023.