

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY

FINANCIAL STATEMENTS
AS OF
JUNE 30, 2023 AND 2022

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Memorial and Library Association of Westerly
Westerly, Rhode Island

Opinion

We have audited the accompanying financial statements of the Memorial and Library Association of Westerly (the "Association"), which comprise the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years 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 Memorial and Library Association of Westerly as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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 standard generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 Memorial and Library Association of Westerly's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Hoyt, Filippetti & Malashan, LLC

Westerly, Rhode Island
February 20, 2024

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 1,010,053 | \$ 994,080 |
| Investments | 29,175,937 | 26,792,327 |
| Prepaid expenses and other current assets | 47,678 | 110,308 |
| Unconditional promises to give | 216,050 | 1,152 |
| Grants receivable, net | 1,012,538 | 1,272,665 |
| Beneficial interests in charitable trusts: | | |
| Irrevocable trusts | 70,349 | 60,712 |
| Perpetual trusts | 1,844,515 | 1,745,582 |
| Land, buildings and equipment, net | 7,446,127 | 7,524,787 |
| Total assets | \$ 40,823,247 | \$ 38,501,613 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 136,486 | \$ 37,876 |
| Accrued liabilities | 66,472 | 57,584 |
| Note payable | 1,011,648 | 1,272,668 |
| Total liabilities | 1,214,606 | 1,368,128 |
| COMMITMENTS <i>(Note 12)</i> | - | - |
| NET ASSETS | | |
| Without donor restrictions | | |
| Invested in land, building and equipment | 5,808,382 | 5,620,794 |
| Board designated as endowment | 2,602,620 | 2,603,078 |
| General operating purposes | 16,281,934 | 14,295,891 |
| Total net assets without donor restrictions | 24,692,936 | 22,519,763 |
| With donor restrictions | 14,915,705 | 14,613,722 |
| Total net assets | 39,608,641 | 37,133,485 |
| Total liabilities and net assets | \$ 40,823,247 | \$ 38,501,613 |

The accompanying notes are an integral part of these financial statements.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 209,933 | \$ 316,283 | \$ 526,216 | \$ 221,563 | \$ 205,581 | \$ 427,144 |
| Investment income | | | | | | |
| Interest and dividends, net | 522,165 | 46,059 | 568,224 | 478,521 | 36,190 | 514,711 |
| Net realized and unrealized (losses) gains on investments | 2,913,917 | 224,346 | 3,138,263 | (4,731,050) | (353,410) | (5,084,460) |
| Change in beneficial interest in charitable trusts | 31,317 | 108,570 | 139,887 | 29,281 | (323,463) | (294,182) |
| Municipal and state grant aid | 541,508 | - | 541,508 | 540,807 | - | 540,807 |
| Grant revenue | 411,306 | 5,525 | 416,831 | 316,165 | 112,482 | 428,647 |
| Library collections | 9,648 | - | 9,648 | 8,844 | - | 8,844 |
| Special events, net of direct donor benefits | 32,375 | - | 32,375 | 49,745 | - | 49,745 |
| Other revenue | 12,850 | - | 12,850 | 14,213 | - | 14,213 |
| | <u>4,685,019</u> | <u>700,783</u> | <u>5,385,802</u> | <u>(3,071,911)</u> | <u>(322,620)</u> | <u>(3,394,531)</u> |
| Net assets released from restrictions | 398,800 | (398,800) | - | 561,927 | (561,927) | - |
| Total support and revenue | <u>5,083,819</u> | <u>301,983</u> | <u>5,385,802</u> | <u>(2,509,984)</u> | <u>(884,547)</u> | <u>(3,394,531)</u> |
| EXPENSES | | | | | | |
| Program services | | | | | | |
| Library | 1,221,680 | - | 1,221,680 | 1,125,626 | - | 1,125,626 |
| Building | 637,190 | - | 637,190 | 748,744 | - | 748,744 |
| Park | 344,543 | - | 344,543 | 369,583 | - | 369,583 |
| | <u>2,203,413</u> | <u>-</u> | <u>2,203,413</u> | <u>2,243,953</u> | <u>-</u> | <u>2,243,953</u> |
| Supporting services | | | | | | |
| Administrative and general | 430,922 | - | 430,922 | 396,959 | - | 396,959 |
| Development and fundraising | 276,311 | - | 276,311 | 245,491 | - | 245,491 |
| | <u>707,233</u> | <u>-</u> | <u>707,233</u> | <u>642,450</u> | <u>-</u> | <u>642,450</u> |
| Total expenses | <u>2,910,646</u> | <u>-</u> | <u>2,910,646</u> | <u>2,886,403</u> | <u>-</u> | <u>2,886,403</u> |
| Change in net assets | 2,173,173 | 301,983 | 2,475,156 | (5,396,387) | (884,547) | (6,280,934) |
| NET ASSETS, beginning of the year | <u>22,519,763</u> | <u>14,613,722</u> | <u>37,133,485</u> | <u>27,916,150</u> | <u>15,498,269</u> | <u>43,414,419</u> |
| NET ASSETS, end of the year | <u>\$ 24,692,936</u> | <u>\$ 14,915,705</u> | <u>\$ 39,608,641</u> | <u>\$ 22,519,763</u> | <u>\$ 14,613,722</u> | <u>\$ 37,133,485</u> |

The accompanying notes are an integral part of these financial statements.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

| | Program Services | | | | Supporting Services | | | |
|--------------------------------|---------------------|-------------------|-------------------|---------------------|----------------------------|-----------------------------|---------------------------|---------------------|
| | Library | Building | Park | Total Program | Administrative and General | Development and Fundraising | Total Supporting Services | Total |
| Salaries and wages | \$ 777,009 | \$ 100,540 | \$ 146,249 | \$ 1,023,798 | \$ 211,924 | \$ 204,811 | \$ 416,735 | \$ 1,440,533 |
| Payroll taxes | 65,536 | 7,984 | 12,105 | 85,625 | 17,126 | 16,571 | 33,697 | 119,322 |
| Health insurance | 56,240 | 9,203 | 17,617 | 83,060 | 15,962 | 5,905 | 21,867 | 104,927 |
| Employee benefits | 11,029 | 906 | 3,194 | 15,129 | 5,325 | 4,211 | 9,536 | 24,665 |
| Professional services | 7,112 | 637 | 637 | 8,386 | 126,610 | 20,369 | 146,979 | 155,365 |
| Books and library materials | 130,370 | - | - | 130,370 | - | - | - | 130,370 |
| Computer services and software | 77,164 | - | - | 77,164 | 31,945 | 8,488 | 40,433 | 117,597 |
| Utilities | - | 85,595 | 3,178 | 88,773 | - | - | - | 88,773 |
| Repairs and maintenance | - | 57,051 | 13,912 | 70,963 | - | - | - | 70,963 |
| Insurance | 5,014 | 30,236 | 12,139 | 47,389 | 5,568 | 191 | 5,759 | 53,148 |
| Interest | - | 51,694 | - | 51,694 | - | - | - | 51,694 |
| Supplies | 6,674 | 10,894 | 11,810 | 29,378 | 5,056 | 407 | 5,463 | 34,841 |
| Service contracts | 1,973 | 31,787 | 881 | 34,641 | - | 120 | 120 | 34,761 |
| Furniture and equipment | 2,629 | 18,203 | 9,477 | 30,309 | - | - | - | 30,309 |
| Library programs | 21,097 | - | - | 21,097 | - | - | - | 21,097 |
| Tree and plant work | - | - | 15,987 | 15,987 | - | - | - | 15,987 |
| Postage and printing | 485 | - | - | 485 | 357 | 7,621 | 7,978 | 8,463 |
| Recognition and recruitment | - | - | - | - | - | 6,785 | 6,785 | 6,785 |
| Parking and travel | 3,433 | 295 | 1,160 | 4,888 | - | 360 | 360 | 5,248 |
| Telephone | 2,471 | 247 | - | 2,718 | 1,976 | 247 | 2,223 | 4,941 |
| Miscellaneous | 124 | - | 41 | 165 | 4,638 | - | 4,638 | 4,803 |
| Watch Hill library materials | 3,281 | - | - | 3,281 | - | - | - | 3,281 |
| Training and education | 225 | 225 | 772 | 1,222 | 1,637 | 225 | 1,862 | 3,084 |
| Depreciation and amortization | 49,814 | 231,693 | 95,384 | 376,891 | 2,798 | - | 2,798 | 379,689 |
| Total | \$ 1,221,680 | \$ 637,190 | \$ 344,543 | \$ 2,203,413 | \$ 430,922 | \$ 276,311 | \$ 707,233 | \$ 2,910,646 |

The accompanying notes are an integral part of these financial statements.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Program Services | | | | Supporting Services | | | Total |
|--------------------------------|---------------------|-------------------|-------------------|---------------------|----------------------------|-----------------------------|---------------------------|---------------------|
| | Library | Building | Park | Total Program | Administrative and General | Development and Fundraising | Total Supporting Services | |
| Salaries and wages | \$ 730,100 | \$ 96,345 | \$ 163,878 | \$ 990,323 | \$ 203,371 | \$ 197,656 | \$ 401,027 | \$ 1,391,350 |
| Payroll taxes | 66,185 | 7,766 | 13,689 | 87,640 | 16,344 | 15,914 | 32,258 | 119,898 |
| Health insurance | 65,238 | 8,065 | 16,804 | 90,107 | 14,704 | 4,707 | 19,411 | 109,518 |
| Employee benefits | 13,377 | 864 | 4,097 | 18,338 | 5,114 | 3,330 | 8,444 | 26,782 |
| Professional services | 6,594 | 567 | 1,069 | 8,230 | 100,699 | 1,780 | 102,479 | 110,709 |
| Books and library materials | 105,176 | - | - | 105,176 | - | - | - | 105,176 |
| Utilities | - | 98,453 | 6,045 | 104,498 | - | - | - | 104,498 |
| Computer services and software | 59,155 | - | - | 59,155 | 31,373 | 8,956 | 40,329 | 99,484 |
| Interest | - | 65,684 | - | 65,684 | - | - | - | 65,684 |
| Insurance | 4,350 | 27,761 | 11,076 | 43,187 | 5,419 | 124 | 5,543 | 48,730 |
| Repairs and maintenance | - | 37,405 | 11,975 | 49,380 | - | - | - | 49,380 |
| Supplies | 7,902 | 14,597 | 8,455 | 30,954 | 5,333 | 512 | 5,845 | 36,799 |
| Service contracts | 1,656 | 29,008 | 686 | 31,350 | - | 120 | 120 | 31,470 |
| Library programs | 15,726 | - | - | 15,726 | - | - | - | 15,726 |
| Tree and plant work | - | - | 17,844 | 17,844 | - | - | - | 17,844 |
| Furniture and equipment | 9,634 | 4,325 | 16,639 | 30,598 | - | - | - | 30,598 |
| Postage and printing | 484 | - | 1 | 485 | 371 | 6,242 | 6,613 | 7,098 |
| Training and education | 900 | 900 | 900 | 2,700 | 2,863 | 900 | 3,763 | 6,463 |
| Telephone | 2,434 | 243 | - | 2,677 | 1,947 | 243 | 2,190 | 4,867 |
| Parking and travel | 3,285 | 240 | 1,171 | 4,696 | - | 480 | 480 | 5,176 |
| Miscellaneous | - | - | - | - | 6,623 | - | 6,623 | 6,623 |
| Watch Hill library materials | 2,889 | - | - | 2,889 | - | - | - | 2,889 |
| Recognition and recruitment | - | - | - | - | - | 4,527 | 4,527 | 4,527 |
| Depreciation and amortization | 30,541 | 356,521 | 95,254 | 482,316 | 2,798 | - | 2,798 | 485,114 |
| Total | \$ 1,125,626 | \$ 748,744 | \$ 369,583 | \$ 2,243,953 | \$ 396,959 | \$ 245,491 | \$ 642,450 | \$ 2,886,403 |

The accompanying notes are an integral part of these financial statements.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|--|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,475,156 | \$ (6,280,934) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Net realized and unrealized (gains) losses on investments | (3,138,263) | 5,084,460 |
| Change in beneficial interests in charitable trusts | (139,887) | 294,182 |
| Amortization of discount on grant receivable | (101,594) | (37,857) |
| Non-cash contributions | (65,324) | (6,245) |
| Depreciation and amortization | 379,689 | 485,114 |
| Loss on sale of property and equipment | - | 182 |
| Changes in operating assets and liabilities | | |
| Prepaid expenses and other current assets | 62,630 | 6,991 |
| Grants receivable | 361,721 | 313,012 |
| Unconditional promises to give | (214,898) | 1,675,727 |
| Accounts payable | 98,610 | (138,967) |
| Accrued liabilities | 8,888 | (88,728) |
| Net cash (used in) provided by operating activities | (273,272) | 1,306,937 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (244,966) | (4,350,201) |
| Purchases of property and equipment | (301,029) | (95,052) |
| Proceeds from the sale of investments | 1,064,943 | 3,560,681 |
| Distributions from beneficial interests in perpetual trusts | 31,317 | 29,281 |
| Net cash provided by (used in) investing activities | 550,265 | (855,291) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on note payable | (261,020) | (274,405) |
| Net cash used in financing activities | (261,020) | (274,405) |
| NET INCREASE IN CASH | 15,973 | 177,241 |
| CASH, beginning of the year | 994,080 | 816,839 |
| CASH, end of the year | \$ 1,010,053 | \$ 994,080 |
| SUPPLEMENTAL DISCLOSURE | | |
| Cash paid for interest | \$ 52,672 | \$ 66,714 |

The accompanying notes are an integral part of these financial statements.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Memorial and Library Association of Westerly (the Association) is a nonprofit entity organized under the general laws of the State of Rhode Island (State) to maintain a free library and reading room open to the public; to acquire, organize, preserve and make accessible, books, objects and other media, according to enlightened modern practice; to encourage and promote literacy; to maintain a free park and arboretum open to the public; to acquire, cultivate and interpret flora according to enlightened modern practice; to encourage and promote understanding of the environment and noneconomic appreciation of plants; and to actively encourage the use of all of its resources, services and facilities.

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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Significant estimates made by the management of the Association include the depreciable lives of the Association's buildings and equipment, and the fair value of investments and beneficial interests in charitable trusts. Estimates are based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. Actual results may differ from these estimates under different assumptions or conditions.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of the resources available to the Association, the accounts of the Association are maintained in two net assets classes as follows:

Without Donor Restrictions

Net assets without donor restrictions represent available resources over which the Board of Trustees retains full control in achieving any of the Association's institutional purposes. These funds are not subject to donor imposed restrictions.

The Board of Trustees (the "Board") has established the following designations of net assets without donor restrictions.

Board Designated Endowment – The Board has designated certain unrestricted assets to function as an endowment whereby the principal is preserved and invested and the earnings thereon are available to support the Association's operations.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSET CATEGORIES (Continued)

Without Donor Restrictions (Continued)

Investment in Land, Building and Equipment – The Board has designated the portion of net assets without donor restrictions (net of related debt) that represents the net book value of the Association’s land, building and equipment in order to emphasize that this portion of net assets without donor restrictions is not available for current operations.

With Donor Restrictions

Net assets with donor restrictions represent funds restricted by outside sources which may only be utilized in accordance with purposes or time restrictions established by the donor of such funds. See *Note 12* for more detail on the Association’s net assets with donor restrictions.

REVENUE AND REVENUE RECOGNITION

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged. The Association recognizes contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Bequests

Bequests are generally recorded as contributions when the related will is declared valid. If the bequest is conditioned upon future or uncertain events, contribution revenue is recognized when the conditions are substantially met.

Grant Revenue

The Association recognizes grant income from foundations and governmental sources when awarded and/or when contractual obligations have been met. Grants and awards are recognized as support with or without donor restrictions when awarded consistent with any contract imposed restrictions.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE AND REVENUE RECOGNITION (Continued)

Donated Services

Contributed services are required to be recorded in the accompanying financial statements at their estimated fair value at the time such services are provided to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Association.

Many individuals volunteer their time to the Association's program services and other activities. The value of these services has not been recognized in the accompanying financial statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Association.

Donated Nonfinancial Assets

The Association reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

Donated Financial Assets

Gifts of financial assets are recorded at fair value on the date of donation. The Association received stock donations of \$65,324 and \$6,245, respectively, during the years ended June 30, 2023 and 2022.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements of the Association report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated based on the area in which the underlying assets are used and salaries and benefits, which are allocated on the basis of time and effort studies.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association defines cash equivalents as liquid investments with an original maturity of three months or less, excluding cash investments held in the Association's investments accounts, which are considered to be investments. As of June 30, 2023 and 2022 the Association did not have any cash equivalents.

INVESTMENTS

Investments consist of marketable equity, debt securities, mutual funds, certificates of deposit, cash and cash equivalents, all of which are carried at fair value. Fair value is determined based on quoted market prices and quoted prices for similar assets (Level 1 and Level 2 inputs as described in *Note 4*). Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give and grants receivable that are expected to be collected within one year are recorded at their net realizable value. Material amounts that are expected to be collected in future years are recorded at net realizable value and also discounted for the present value of estimated future cash flows. Amortization of the discount is included in contribution revenue or restricted grant revenue. Management reviews the receivable balance for collectability and records an allowance for doubtful accounts based on historical information and current economic trends. No allowance was recorded at June 30, 2023 and 2022 as management deemed the receivables to be fully collectible.

Conditional promises to give are not included as support until such time as the related conditions are substantially met.

BENEFICIAL INTEREST IN CHARITABLE TRUSTS

The Association is a beneficiary of two irrevocable trusts, three perpetual trusts and one community trust. Such trusts are held by certain banks as trustees and upon termination of the two irrevocable trusts, the Association will receive its share of the assets remaining in the trusts.

PROPERTY AND EQUIPMENT

Buildings and equipment acquired prior to July 1, 1985 are stated at their insurance appraisal values as of June 30, 1985. All assets acquired thereafter are stated at cost or, if donated, at fair value as established on the date of gift.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Land is recorded based upon an appraisal by United Appraisal Company, which was performed for the Town of Westerly in 1981.

Property and equipment acquisitions and leasehold improvements that individually exceed \$1,000 are capitalized at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---------------------------|-------|-------|
| Land improvements | 10-30 | years |
| Building and improvements | 10-50 | years |
| Furniture and equipment | 3-10 | years |

Repairs and maintenance are charged to expense as incurred. Expenditures which substantially increase the useful life of the related assets are capitalized. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected as a change in unrestricted net assets.

The Association evaluates long-lived assets held and used by the Association for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Association did not record any impairment losses during the years ended June 30, 2023 and 2022.

INEXHAUSTIBLE COLLECTIONS AND BOOKS

The Association's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Significant items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed periodically.

The collections, which were acquired through purchases and donations since the Association's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected in the statement of activities and changes in net assets as temporarily restricted or unrestricted revenue in accordance with any donor restrictions.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INCOME TAXES

The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to Federal income tax. The Association had no unrelated business income for the years ended June 30, 2023 and 2022. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Association did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The Association’s tax returns for the years ended June 30, 2023 and 2022 are subject to examination by the IRS, generally for three years after they have been filed.

SUBSEQUENT EVENTS

The Association has performed an evaluation of subsequent events through February 20, 2024, which is the date the financial statements were available to be issued. There are no subsequent events identified that require disclosure.

RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2022 have been reclassified to conform to the 2023 presentation. Such reclassifications do not affect the change in net assets for the year ended June 30, 2022.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Association’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash, unconditional promises to give, grants receivable, net, investments and the beneficial interest in charitable trusts.

Cash

The Association places its cash in high quality financial institutions. From time to time, the Association maintains deposits in excess of FDIC insurance limits. Management believes this to be a normal business risk.

Unconditional Promises to Give

Unconditional promises to give consists primarily of a remainder interest in the estate of a donor. Management believes that it represents minimal credit risk.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 - CONCENTRATIONS OF CREDIT RISK (Continued)

Grants Receivable, net

Grants receivable consist mainly of amounts due from grantors for reimbursement type grants. Management believes they represent minimal credit risk.

Investments

The Association invests in a professionally managed portfolio. Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks. However, investments are subject to the risk of the securities markets as a whole.

Beneficial Interest in Charitable Trusts

Assets, including investments held by the charitable trusts in which the Association has a beneficial interest, are subject to the risks of the individual trust managers and the securities markets as a whole. Management believes they represent minimal concentration risk.

NOTE 3 - LIQUIDITY AND AVIALABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of the statement of position available for general use within one year of the statement of financial posisiton at June 30, 2023 and 2022:

| | 2023 | 2022 |
|--|---------------|---------------|
| Financial Assets, at year-end | | |
| Cash | \$ 1,010,053 | \$ 994,080 |
| Investments | 29,175,937 | 26,792,327 |
| Unconditional promises to give | 216,050 | 1,152 |
| Grants receivable | 1,012,538 | 1,272,665 |
| Beneficial interest in charitable trusts | 1,914,864 | 1,806,294 |
| | 33,329,442 | 30,866,518 |
| Less: those unavailable for general use | | |
| Donor imposed restrictions | (14,291,705) | (13,989,722) |
| Board designated endowment | (2,602,620) | (2,603,078) |
| | \$ 16,435,117 | \$ 14,273,718 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 16,435,117 | \$ 14,273,718 |

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The 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 Association has the ability to access.

Level 2

Inputs to the valuation method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

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

In determining fair value, the Association utilizes valuation methodologies that maximize the use of observable inputs to the extent possible.

The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis on June 30, 2023 and 2022.

| Description | Fair Value | Assets (Level 1) | Assets (Level 2) | Assets (Level 3) |
|---------------------------|----------------------|----------------------|---------------------|---------------------|
| 2023 | | | | |
| Investments | | | | |
| Cash and cash equivalents | \$ 248,318 | \$ 248,318 | \$ - | \$ - |
| Fixed income | 3,817,764 | - | 3,817,764 | - |
| Mutual funds | 25,093,873 | 25,093,873 | - | - |
| Other | 15,982 | 15,982 | - | - |
| | <u>29,175,937</u> | <u>25,358,173</u> | <u>3,817,764</u> | <u>-</u> |
| Beneficial interests in - | | | | |
| Irrevocable trusts | 70,349 | - | - | 70,349 |
| Perpetual trusts | 1,844,515 | - | - | 1,844,515 |
| | <u>\$ 31,090,801</u> | <u>\$ 25,358,173</u> | <u>\$ 3,817,764</u> | <u>\$ 1,914,864</u> |

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

| Description | Fair Value | Assets (Level 1) | Assets (Level 2) | Assets (Level 3) |
|---------------------------|----------------------|----------------------|---------------------|---------------------|
| 2022 | | | | |
| Investments | | | | |
| Cash and cash equivalents | \$ 236,454 | \$ 236,454 | \$ - | \$ - |
| Fixed income | 4,991,551 | - | 4,991,551 | - |
| Mutual funds | 21,548,742 | 21,548,742 | - | - |
| Other | 15,580 | 15,580 | - | - |
| | <u>26,792,327</u> | <u>21,800,776</u> | <u>4,991,551</u> | <u>-</u> |
| Beneficial interests in - | | | | |
| Irrevocable trusts | 60,712 | - | - | 60,712 |
| Perpetual trusts | 1,745,582 | - | - | 1,745,582 |
| | <u>\$ 28,598,621</u> | <u>\$ 21,800,776</u> | <u>\$ 4,991,551</u> | <u>\$ 1,806,294</u> |

Changes in the value of Level 3 assets for the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Fair value, beginning of the year | \$ 1,806,294 | \$ 2,129,757 |
| Increase (decrease) in value of beneficial interest | 139,887 | (294,182) |
| Distribution | <u>(31,317)</u> | <u>(29,281)</u> |
| Fair value, end of the year | <u>\$ 1,914,864</u> | <u>\$ 1,806,294</u> |

NOTE 5 - INVESTMENTS

A summary of the Association's investments as of June 30, 2023 and 2022 is as follows:

| | Cost | Net unrealized gains | Fair Value |
|---------------------------|----------------------|----------------------|----------------------|
| 2023 | | | |
| Cash and cash equivalents | \$ 248,318 | \$ - | \$ 248,318 |
| Fixed income | 4,609,851 | (792,087) | 3,817,764 |
| Mutual funds | 19,204,034 | 5,889,839 | 25,093,873 |
| Other | 12,812 | 3,170 | 15,982 |
| Total | <u>\$ 24,075,015</u> | <u>\$ 5,100,922</u> | <u>\$ 29,175,937</u> |

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 - INVESTMENTS (Continued)

| 2022 | Cost | Net unrealized gains | Fair Value |
|---------------------------|----------------------|-------------------------|----------------------|
| Cash and cash equivalents | \$ 236,454 | \$ - | \$ 236,454 |
| Fixed income | 5,684,740 | (693,189) | 4,991,551 |
| Mutual funds | 18,802,595 | 2,746,147 | 21,548,742 |
| Other | 12,411 | 3,169 | 15,580 |
| Total | <u>\$ 24,736,200</u> | <u>\$ 2,056,127</u> | <u>\$ 26,792,327</u> |

As of June 30, 2023 and 2022, \$10,313,850 and \$10,313,150, respectively, of the Association's investments were restricted for investment in perpetuity.

As described in *Note 9*, a portion of the Association's investments have been pledged as security for long-term debt.

NOTE 6 - GRANTS RECEIVABLE

Grants receivable consists of a reimbursement type grants awarded by the State of Rhode Island Office of Library Information Services (OLIS) which was provided from funds available under the general laws of the State. The grant was awarded to support the repayment of long-term debt, as described in *Note 9*, associated with the Association's renovation costs of its library in accordance with an approved construction project that was completed in June 2011. The grant will be paid in 20 annual installments of approximately \$254,000 through 2032, is subject to annual approval by the State's legislature and may only be used for principal and interest payments on the long-term debt. The original amount of the grant \$5,160,445, has been discounted over the expected payment term using a rate of 5.5%. For the years ended June 30, 2023 and 2022, grant revenue includes \$101,594 and \$37,857, respectively, related to amortization of the discount. The balance receivable under the grant, net of cumulative discounts, was \$1,012,538 and \$1,272,665 as of June 30, 2023 and 2022, respectively.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 - GRANTS RECEIVABLE (Continued)

As of June 30, 2023, scheduled grant payments are as follows:

| <u>Year ending June 30</u> | <u>Amount</u> |
|----------------------------|---------------------|
| 2024 | \$ 253,767 |
| 2025 | 253,767 |
| 2026 | 253,767 |
| 2027 | 253,767 |
| 2028 | 253,767 |
| 2029 and thereafter | <u>431,422</u> |
| Total grant payments | 1,700,257 |
| Less: Unamortized discount | <u>(687,719)</u> |
| Grant receivable, net | <u>\$ 1,012,538</u> |

NOTE 7 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS

BENEFICIAL INTEREST IN IRREVOCABLE TRUSTS

The Association is a beneficiary of two irrevocable trusts. Such trusts are held by banks as trustees and upon termination of the trusts, the Association will receive a designated percentage of the assets remaining in the trusts. As of June 30, 2023, the Association's designated percentage interest of 15% in these trusts was valued by calculating the fair value of the trusts' assets and the present value of future distributions expected to be received using published life expectancy tables at discounted rates between 2% and 2.5%. The change in value of the beneficial interest in irrevocable trusts retained by the trust is recorded as donor restricted gain or loss in the statements of activities and changes in net assets.

The Association's interests in the trusts were valued at \$70,349 and \$60,712 in the accompanying statements of financial position as of June 30, 2023 and 2022, respectively.

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Association is a beneficiary of the income from three trusts held in perpetuity by independent trustees, the underlying assets of which are invested in publicly traded securities. The Association has an irrevocable right to receive a portion of the income earned on the trusts' assets, but will never receive the trusts' corpus. The beneficial interest in perpetual trusts is reported in the statements of financial position at the fair value of the Association's interest in the trusts based on the fair value of the underlying investments as reported by the respective trustees. The change in value of the beneficial interest in perpetual trusts retained by the trust is recorded as donor restricted gain or loss in the statement of activities and changes in net assets. As of June 30, 2023 and 2022, the total value of the Association's interest in the trusts was \$1,844,515 and \$1,745,582, respectively.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS (Continued)

BENEFICIAL INTEREST IN COMMUNITY TRUST

The Association is the designated beneficiary of a portion of the interest income on four endowments maintained by the Rhode Island Foundation. The Rhode Island Foundation has variance power over these endowments; accordingly, the Association has not included its interest in the endowments in the accompanying financial statements. The Association received distributions of \$7,322 and \$6,993, respectively, from such funds during the years ended June 30, 2023 and 2022, and are included in contributions.

NOTE 8 - PROPERTY AND EQUIPMENT

As of June 30, 2023 and 2022, the components of property and equipment are as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| Land and land improvements | \$ 1,505,000 | \$ 1,505,000 |
| Buildings and improvements | 17,549,169 | 17,367,732 |
| Furniture and equipment | 1,687,287 | 1,618,793 |
| | 20,741,456 | 20,491,525 |
| Less accumulated depreciation and amortization | 13,295,329 | 12,966,738 |
| | \$ 7,446,127 | \$ 7,524,787 |

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$379,689 and \$485,114, respectively.

As of June 30, 2023 and 2022, \$624,000 of donated land is to be used in perpetuity as a public park in accordance with the donor's stipulation and is reported in the accompanying financial statements as net assets with donor restrictions (see *Note 12*).

NOTE 9 - NOTE PAYABLE

The Association is obligated under a note payable to a bank, bearing interest at 4.5% at June 30, 2023. The note requires monthly principal and interest payments of approximately \$19,700 through September 1, 2031, at which time the note will be fully paid. The note payable is collateralized by a pledge of certain securities held in an investment account, and at no time shall the outstanding principal of the loan be greater than 65% of the market value of the collateral pledged. At June 30, 2023 and 2022, the approximate minimum balance of pledged assets required to be maintained under the collateral agreement was \$1,556,000 and \$1,958,000, respectively. The balance of pledged assets totaled \$3,848,187 and \$4,292,176 at June 30, 2023 and 2022, respectively.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 - NOTE PAYABLE (Continued)

As of June 30, 2023, annual maturities of the note payable are as follows:

| <u>Year ending June 30</u> | <u>Amount</u> |
|----------------------------|----------------------------|
| 2024 | \$ 164,275 |
| 2025 | 173,916 |
| 2026 | 183,866 |
| 2027 | 194,385 |
| 2028 | 205,378 |
| 2029 | 89,828 |
| Total | <u><u>\$ 1,011,648</u></u> |

NOTE 10 - LINE OF CREDIT

The Association has an unsecured demand revolving line of credit agreement with a bank which allows for maximum borrowings of \$100,000. Interest is payable monthly at 2.00% below the bank's prime rate which was 8.50% as of June 30, 2023. As of June 30, 2023 and 2022, no amounts were outstanding under the agreement.

NOTE 11 - COMMITMENTS

UTILITY AGREEMENTS

On October 20, 2020, the Association entered into an agreement to purchase electricity from a third-party supplier (the Supplier) for a 48-month period ending December 2024 at a fixed rate per kilowatt hour (kWh) based on the Association's historical usage. Based on historical usage, the Association expects to pay the supplier approximately \$64,000 during the remainder of the contract period.

On April 16, 2020, the Association entered into an agreement to purchase natural gas from a third-party supplier (the Supplier) for a 36-month period ending April 2023 at a fixed rate per therm based on the Association's historical usage. In April 2023 the agreement was extended for an additional 36 months to April 2026. Based on historical usage, the Association expects to pay the supplier approximately \$42,000 during the remainder of the contract period.

On August 28, 2020, the Association entered into an agreement to purchase Net Metering Credits generated by a Renewable Energy Facility for a 25 year period ending in 2047. The cost of the credits will be equal to 70% of the amounts credited by the Energy Development Company but not less than \$.09 per kilowatt hour. The Association is obligated to pay the Energy Development Company a minimum of \$1,143,000 during the remainder of the contract period. Such agreement provides for three five year renewal terms.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 - NET ASSETS

BOARD DESIGNATED NET ASSETS

As of June 30, 2023 and 2022, the Association's Board of Directors designated net assets totaled \$2,602,620 and \$2,603,078, respectively. As of June 30, 2023 and 2022, \$2,355,704 and \$2,436,030 respectively, represents the amount remaining from a significant unrestricted bequest received in a prior year. These assets are designated to function as an endowment to fund future repairs, maintenance and improvements to the Library, Park and related equipment, furnishings and fixtures. The remaining \$246,916 and \$167,048, respectively, represents a newly established operating fund.

WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, the Association has net assets with donor restrictions available for the following purposes:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Endowment - income from which is expendible to support | | |
| Unrestricted purposes | \$ 8,309,315 | \$ 8,309,315 |
| Books and library materials | 1,926,410 | 1,925,910 |
| Park maintenance | 74,254 | 74,254 |
| Genealogy | 1,656 | 1,656 |
| Staff education | 2,215 | 2,015 |
| | <u>10,313,850</u> | <u>10,313,150</u> |
| Beneficial interest in perpetual trusts | 1,844,515 | 1,745,582 |
| Park land held in perpetuity | 624,000 | 624,000 |
| Time restrictions | | |
| Payment of principal and interest on long-term debt | 1,013,997 | 1,274,910 |
| Beneficial interest in irrevocable trusts | 70,349 | 60,712 |
| Estates | 15,000 | - |
| Purpose restrictions | | |
| Restricted to the Library | | |
| Books and library materials | 437,353 | 264,035 |
| Building renovations | 485,419 | 291,926 |
| Restricted to the Park - park maintenance | 111,222 | 39,407 |
| | <u>14,915,705</u> | <u>14,613,722</u> |
| Total | <u>\$ 14,915,705</u> | <u>\$ 14,613,722</u> |

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 - NET ASSETS (Continued)

NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time or by occurrence of events specified by donors. The amounts released during the years ended June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|-------------|-------------|
| Satisfaction of time restrictions | | |
| Payment of principal and interest on long-term debt | \$ 253,767 | \$ 339,402 |
| Receipt of Employer Retention Credits | - | 51,879 |
| Satisfaction of purpose restrictions | | |
| Restricted to the Library | | |
| Books and library materials | 113,808 | 139,673 |
| Library fixed asset additions | 13,123 | 6,357 |
| Restricted to the Park | | |
| Park maintenance | 8,807 | 11,366 |
| Park fixed asset additions | 9,295 | 13,250 |
| Total net assets released | \$ 398,800 | \$ 561,927 |

NOTE 13 - ENDOWMENT

The Association's endowment consists of approximately fifty individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board has adopted the State of Rhode Island Uniform Prudent Mangement of Instiutional Funds Act (R.I. UPMIFA). Based on its interpretation of R.I. UPMIFA, the Association classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, and, for years ending up through June 30, 2018, d) accumulations to the permanent endowment made in order to protect the purchasing power of the original and any subsequent gifts.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 - ENDOWMENT *(Continued)*

INTERPRETATION OF RELEVANT LAW *(Continued)*

In accordance with R.I. UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Donor intent;
- The purposes of the Association and preservation of the funds;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Association; and
- The investment policies of the Association.

RETURN OBJECTIVE AND RISK PARAMETERS

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity for donor-specified periods, as well as Board-designated funds.

Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return that allows the Association to distribute 5% to 6% annually while preserving the purchasing power of the original investment. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Association's spending policy provides for annual distributions of no less than \$1,350,000. Such distributions are indexed annually by 3.5%. The Association expects an average rate of return that exceeds its current draw down thereby continuing to grow the endowment.

**MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 - ENDOWMENT (Continued)

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY (Continued)

In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at a rate consistent with the four-year average increase in the CPI.

In no case will any donor-imposed restriction on any funds in the endowment be compromised. The policy does not apply to, and therefore does not limit, the specific use of restricted funds as specified by the donor.

Endowment net asset classification as of June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------|-------------------------------|----------------------------|----------------------|
| With donor restrictions | \$ - | \$ 10,716,114 | \$ 10,716,114 |
| Without donor restrictions: | | | |
| General operating purposes | 15,857,203 | - | 15,857,203 |
| Board-designated | 2,602,620 | - | 2,602,620 |
| Total | <u>\$ 18,459,823</u> | <u>\$ 10,716,114</u> | <u>\$ 29,175,937</u> |

Changes in endowment net assets, for the year ended June 30, 2023 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Endowment net assets - beginning of the year | \$ 16,262,539 | \$ 10,529,788 | \$ 26,792,327 |
| Investment return: | | | |
| Interest and dividends, net | 516,122 | 40,775 | 556,897 |
| Net appreciation (realized and unrealized) | 2,913,917 | 224,346 | 3,138,263 |
| Total investment return | <u>3,430,039</u> | <u>265,121</u> | <u>3,695,160</u> |
| Contributions | 85,000 | 700 | 85,700 |
| Appropriation for expenditure | <u>(1,317,755)</u> | <u>(79,495)</u> | <u>(1,397,250)</u> |
| Endowment net assets - end of the year | <u>\$ 18,459,823</u> | <u>\$ 10,716,114</u> | <u>\$ 29,175,937</u> |

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 - ENDOWMENT (Continued)

Endowment net asset classification as of June 30, 2022 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------|-------------------------------|----------------------------|----------------------|
| With donor restrictions | \$ - | \$ 10,529,788 | \$ 10,529,788 |
| Without donor restrictions: | | | |
| General operating purposes | 13,659,461 | - | 13,659,461 |
| Board-designated | 2,603,078 | - | 2,603,078 |
| Total | <u>\$ 16,262,539</u> | <u>\$ 10,529,788</u> | <u>\$ 26,792,327</u> |

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 the year | \$ 21,779,914 | \$ 9,301,108 | \$ 31,081,022 |
| Investment return: | | | |
| Interest and dividends, net | 477,497 | 36,190 | 513,687 |
| Net appreciation (realized and unrealized) | (4,731,050) | (353,410) | (5,084,460) |
| Total investment return | <u>(4,253,553)</u> | <u>(317,220)</u> | <u>(4,570,773)</u> |
| Contributions | 7,745 | 1,625,000 | 1,632,745 |
| Appropriation for expenditure | <u>(1,271,567)</u> | <u>(79,100)</u> | <u>(1,350,667)</u> |
| Endowment net assets - end of the year | <u>\$ 16,262,539</u> | <u>\$ 10,529,788</u> | <u>\$ 26,792,327</u> |

NOTE 14 - EMPLOYEE BENEFIT PLANS

The Association maintains a defined contribution plan (the Plan), which qualifies under Section 403(b) of the Internal Revenue Code. The Plan covers substantially all employees of the Association who have met certain eligibility requirements. Under the terms of the Plan, the Association contributes 50% of employee deferrals up to 5% of eligible employee compensation. For the years ended June 30, 2023 and 2022, the Association's contributions to the Plan were \$24,665 and \$26,782, respectively.

MEMORIAL AND LIBRARY ASSOCIATION OF WESTERLY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15 - DISAGGREGATION OF REVENUE

The following table disaggregates the Association's support and revenue for the years ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|-----------------------|
| Contracts with customers | | |
| Satisfied over time | | |
| Municipal and state aid | \$ 541,508 | \$ 540,807 |
| Satisfied at a point in time | | |
| Library collections | 9,648 | 8,844 |
| Total revenue from contracts with customers | <u>551,156</u> | <u>549,651</u> |
| Other support and revenue | | |
| Contributions and grants | 943,047 | 855,791 |
| Special events, net of direct donor benefits | 32,375 | 49,745 |
| Other revenue | 12,850 | 14,213 |
| Investment income | 568,224 | 514,711 |
| Net gain (loss) on investments | 3,138,263 | (5,084,460) |
| Net change in value of beneficial interests in charitable trusts | <u>139,887</u> | <u>(294,182)</u> |
| Total other support and revenue | <u>4,834,646</u> | <u>(3,944,182)</u> |
| Total support and revenue | <u>\$ 5,385,802</u> | <u>\$ (3,394,531)</u> |