

The Pawling Free Library

Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

Board of Trustees The Pawling Free Library

We have audited the accompanying financial statements of The Pawling Free Library which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pawling Free Library, as of December 31, 2019 and 2018, 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.

PKF O'Connor Davies, LLP

Newburgh, New York
July 28, 2020

The Pawling Free Library
Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 245,606	\$ 226,808
Accounts receivable	250	-
Investments	27,576	23,737
Prepaid expenses	2,957	3,386
Land, property and equipment, net	394,242	420,675
	\$ 670,631	\$ 674,606
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,823	\$ 30,716
Accrued expenses	6,923	5,388
Total Liabilities	8,746	36,104
 Net Assets		
Without donor restrictions	580,885	557,502
With donor restrictions		
Purpose restrictions	56,000	56,000
Perpetual in nature	25,000	25,000
Total Net Assets	661,885	638,502
	\$ 670,631	\$ 674,606

The Pawling Free Library
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Property taxes	\$ 450,832	\$ -	\$ 450,832
Grants and other aid	25,549	-	25,549
Contributions	34,821	-	34,821
Library charges	12,167	-	12,167
Investment income, net	3,839	-	3,839
Interest	<u>4,579</u>	<u>-</u>	<u>4,579</u>
Total Revenue and Support	<u>531,787</u>	<u>-</u>	<u>531,787</u>
EXPENSES			
Program services	443,381	-	443,381
Management and general	57,183	-	57,183
Fundraising	<u>7,840</u>	<u>-</u>	<u>7,840</u>
Total Expenses	<u>508,404</u>	<u>-</u>	<u>508,404</u>
Change in Net Assets	23,383	-	23,383
NET ASSETS			
Beginning of year	<u>557,502</u>	<u>81,000</u>	<u>638,502</u>
End of year	<u>\$ 580,885</u>	<u>\$ 81,000</u>	<u>\$ 661,885</u>

See notes to financial statements

The Pawling Free Library
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Property taxes	\$ 390,000	\$ -	\$ 390,000
Grants and other aid	12,795	-	12,795
Contributions	73,796	-	73,796
Library charges	12,142	-	12,142
Investment income, net	(1,264)	-	(1,264)
Interest	815	-	815
Total Revenue and Support	488,284	-	488,284
EXPENSES			
Program services	428,248	-	428,248
Management and general	62,547	-	62,547
Fundraising	35,055	-	35,055
Total Expenses	525,850	-	525,850
Change in Net Assets	(37,566)	-	(37,566)
NET ASSETS			
Beginning of year	595,068	81,000	676,068
End of year	\$ 557,502	\$ 81,000	\$ 638,502

The Pawling Free Library

Statement of Functional Expenses Year Ended December 31, 2019

	Program Services	Management & General	Fundraising	Total
PERSONNEL				
Salaries and benefits	\$ 281,511	\$ 34,793	\$ -	\$ 316,304
OTHER THAN PERSONNEL				
Consulting and professional fees	-	13,755	-	13,755
Programs, books, periodicals, other materials	62,820	-	-	62,820
Utilities	11,919	-	-	11,919
Repairs and maintenance	34,083	-	-	34,083
Automation and computer costs	3,248	-	-	3,248
Insurance	3,766	7,328	-	11,094
Office expense	4,289	1,000	-	5,289
Annual appeal	-	-	3,085	3,085
Annual book sale	-	-	4,755	4,755
Telephone	4,435	-	-	4,435
Travel	1,973	-	-	1,973
Dues and subscriptions	1,341	-	-	1,341
Miscellaneous	4,087	307	-	4,394
Advertising	3,476	-	-	3,476
Loss on disposal of land, property and equipment	2,155	-	-	2,155
Depreciation	24,278	-	-	24,278
	\$ 443,381	\$ 57,183	\$ 7,840	\$ 508,404

The Pawling Free Library

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
PERSONNEL				
Salaries and benefits	\$ 273,732	\$ 32,833	\$ -	\$ 306,565
OTHER THAN PERSONNEL				
Consulting and professional fees	-	21,270	-	21,270
Programs, books, periodicals, other materials	55,970	-	-	55,970
Utilities	11,416	-	-	11,416
Repairs and maintenance	27,034	-	-	27,034
Automation and computer costs	9,980	-	-	9,980
Insurance	2,615	7,183	-	9,798
Office expense	5,097	1,000	-	6,097
Annual appeal	-	-	1,271	1,271
Annual book sale	-	-	4,084	4,084
Telephone	3,660	-	-	3,660
Travel	1,469	-	-	1,469
Dues and subscriptions	1,166	-	-	1,166
Miscellaneous	5,424	261	-	5,685
Advertising	4,445	-	-	4,445
Impairment of construction in process	-	-	29,700	29,700
Depreciation	26,240	-	-	26,240
	\$ 428,248	\$ 62,547	\$ 35,055	\$ 525,850

The Pawling Free Library

Statements of Cash Flows

	December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,383	\$ (37,566)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	24,278	26,240
Loss on disposal of land, property and equipment	2,155	-
Unrealized gain on investments	(3,098)	-
Impairment of construction in progress	-	29,700
Change in operating assets and liabilities		
Accounts receivable	(250)	-
Prepaid expenses	429	(770)
Accounts payable	(28,893)	24,338
Accrued expenses	<u>1,535</u>	<u>3,016</u>
Net Cash from Operating Activities	<u>19,539</u>	<u>44,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(58,891)
Purchase of investments	<u>(741)</u>	<u>(23,737)</u>
Net Cash from Investing Activities	<u>(741)</u>	<u>(82,628)</u>
Net Change in Cash and Cash Equivalents	18,798	(37,670)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>226,808</u>	<u>264,478</u>
End of year	<u>\$ 245,606</u>	<u>\$ 226,808</u>

See notes to financial statements

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

1. Library and Taxation

The Pawling Free Library (the “Library”) seeks to serve the Town of Pawling, including the Hamlet of Holmes as well as the surrounding areas, by making high-quality library materials available to all community members free of charge, for the purpose of personal enjoyment, self-improvement or academic inquiry. By meeting the community members’ needs, the Library encourages enthusiastic readers of all ages dedicated to personal enrichment and learning.

The Library was granted an Absolute Charter on February 20, 1942 pursuant to the Education Law of the State of New York and is exempt from federal income taxes under 501(a) of the Internal Revenue Code as a Library described in Section 501(c)(3). The Library is structured as an “Association Library” and is operated for the free use of the public.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Net assets are classified based on the presence or absence of donor imposed restrictions. Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Library’s operations. Net assets without donor restriction may be used at the discretion of Library’s management and Board of Trustees.

With donor restrictions – some donor imposed restrictions represent amounts restricted by donors for specific activities the Library or to be used at some future date. The Library records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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. Amounts restricted by donors for the Library’s operating programs whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

Effective January 1, 2019, the Library adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and promises to give are recognized, as they are specifically scoped out of the new guidance. Revenue from contracts with customers consist of library charges.

The Library uses a portfolio approach as a practical expedient to account for categories of contracts as collective groups, rather than recognizing revenue on an individual contract basis. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

The Library has elected the practical expedient and does not adjust the promised amount of consideration from fees for services for the effects of a significant financing component due to the Library's expectation that the period between the time the service is provided to a client and the time that the revenue is received for that service will be one year or less.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers.

The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. Analysis of various provisions of this standard resulted in no significant changes in the way the Library recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Recognition of Contributions

Effective January 1, 2019, the Library adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This guidance provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of the various provisions of this standard resulted in no significant changes in the way the Library recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Budgetary Data and Property Taxes

Chapter 414 of the laws of 1995 in New York State requires the Library to put their budget up for public vote, on election day, to establish the municipal budget appropriation for the Library. Should the budget pass (requires approval by a majority vote), the Town of Pawling funds the library at the appropriate level from assessed property taxes. The amount approved remains unchanged until another Chapter 414 vote is initiated by the Library's Board of Trustees. Should the initial budget fail, the Library negotiates with the Town of Pawling for funding.

Revenue Recognition

As shown on the accompanying statements of activities, the Library has several revenue sources including property taxes, grants and other aid, contributions and library charges. The Library has reviewed its various revenue sources and concluded that each of its contracts (oral or written) include a single performance obligation that is satisfied at a point in time.

Property Taxes

Property tax revenue received from the Town of Pawling is for the programs and operations of the Library and is classified as net assets without donor restrictions in the statement of activities.

Grants and Contributions

Grants and contributions of cash and other assets are reported as 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.

Cash and Cash Equivalents

The Library considers all highly liquid investments with a maturity of three months or less, at time of purchase, to be cash equivalents.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a reduction in the valuation allowance and accounts receivable. As of December 31, 2019 and 2018, the receivables were \$250 and \$0. An allowance for doubtful accounts has been deemed not necessary by management.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments are carried at fair value with changes therein recognized in the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fair Value Measurements

The Library follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Land, Property and Equipment

Land, property and equipment are carried at cost, if purchased, or at their estimated fair value on the date of receipt, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5-39 years. Significant renewals and betterments in excess of \$1,000 with a useful life greater than one year are capitalized.

In-Kind Support

A number of the members of the Board of Trustees have contributed significant amounts of their time to the affairs of the Library; however, these services, if not professional in nature, have not been reflected in the financial statements unless the services provided represent the value of services provided by an otherwise salaried employee.

The Library receives, without charge, the services of various volunteers. The value of those services is not recognized in the accompanying financial statements because they did not meet the criteria for recognition.

Donated goods are recorded at fair value in the period received.

Functional Allocation of Expenses

The costs of providing the Library's programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses are allocated based on the basis of estimates of time and effort or purpose and function. Such allocations are determined by management.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Functional Allocation of Expenses (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel costs	Time and effort
Professional services	Full time equivalent
Office expense	Square footage
Technology and utilities	Full time equivalent
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs approximated \$3,500 and \$4,400 for 2019 and 2018.

Accounting for Uncertainty in Income Taxes

The Library recognizes the effects of income tax positions only when they are more likely than not to be sustained. Management has determined that the Library had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Library is no longer subject to examination by applicable taxing jurisdictions for periods prior to December 31, 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is July 28, 2020.

Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of the coronavirus disease ("COVID-19"), including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitation on the conduct of business. The Library is open and limiting the number of patrons allowed at one time. The Library has not implemented any employee layoffs or furloughs and has not received any relief funding since the property tax revenue was received from the Town of Pawling and covered expenses for the year.

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, the Library's investments have incurred a decline in its fair value since December 31, 2019. Because the value of the Library's investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management (continued)

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2020 cannot be reasonably estimated at this time.

3. Liquidity and Availability

The Library's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for a concentration of contributions received near calendar year end. To manage liquidity, the Library maintains a line of credit of \$25,000 with a bank that is drawn upon as needed to manage cash flow and is then repaid in full by the end of the fiscal year.

The following reflects the Library's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year.

	<u>2019</u>	<u>2018</u>
Total assets	\$ 670,631	\$ 674,606
Less:		
Prepaid expenses	2,957	3,386
Endowment funds - investments in perpetuity	25,000	25,000
Purpose Restricted net assets	56,000	56,000
Board designated net assets - Building Fund	121,781	76,681
Land, property and equipment, net	<u>394,242</u>	<u>420,675</u>
Financial assets available within one year	<u>\$ 70,651</u>	<u>\$ 92,864</u>

4. Land, Property and Equipment, Net

Land, property and equipment, net consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 29,141	\$ 29,141
Building and improvements	784,285	784,285
Furniture, fixtures and equipment	<u>27,918</u>	<u>78,629</u>
	841,344	892,055
Accumulated depreciation	<u>(447,102)</u>	<u>(471,380)</u>
	<u>\$ 394,242</u>	<u>\$ 420,675</u>

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

5. Borrowings Under Line of Credit

The Library maintains a line of credit agreement with a bank in the amount of \$25,000. Interest is calculated at the Wall Street Journal Prime rate plus 1.5% (6.25% and 7.00% at December 31, 2019 and 2018). The line of credit is collateralized by the Library's business assets. There was no outstanding balance as of December 31, 2019 and 2018.

6. Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2019	2018
<i>Subject to expenditure for specified purpose:</i>		
Building expansion	\$ 56,000	\$ 56,000
<i>Subject to the Library's spending policy and appropriation:</i>		
Investment in perpetuity	<u>25,000</u>	<u>25,000</u>
	<u>\$ 81,000</u>	<u>\$ 81,000</u>

For the years ended December 31, 2019 and 2018, net assets without donor restrictions includes \$121,781 and \$76,681 designated by the Board of Directors as a building fund. During 2019 and 2018, \$20,000 and \$138,633 was released for use from the board designated building fund. There were no net assets released from donor restriction during the years ended December 31, 2019 and 2018.

7. Endowment, Investments and Investment Return

In 2017 the Library received a bequest in the amount of \$25,000 to be used to create an endowment in support of operations. During 2018, the Board created an endowment that includes donor designated net assets with restriction and board designated net assets without restriction.

Interpretation of Law

The Library follows the provisions of the New York State Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of the Library has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift 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 classified as donor restricted net assets held in perpetuity (a) the original value of gifts to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portion of the donor restricted endowment fund that is not classified as held in perpetuity will be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

7. Endowment, Investments and Investment Return *(continued)*

Investment Return Objectives, Risk Parameters and Strategies

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

Spending Policy

The Library invests its endowment funds and allocates the related earnings for expenditure in accordance with the total return policy concept. The endowment usage is determined in accordance with the policy adopted by the Library. This policy fixes the spending range of endowment total return between 4.5% and 5.5% of the average fair value of the assets since the inception of the endowment or the previous twelve quarters, whichever period is the shortest, with the objective being to hold the spending rate to no more than 5% average over time. Applicable endowments include donor-designated and Board-designated endowment funds.

The following is a reconciliation of the activity in the endowment fund during the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2018	\$ 76,681	\$ 25,000	\$ 101,681
Board designated cash	60,000	-	60,000
Investment income, net	2,002	-	2,002
Capital appreciation	3,098	-	3,098
Distribution from Board designated cash	(20,000)	-	(20,000)
Balance, December 31, 2019	\$ 121,781	\$ 25,000	\$ 146,781
Comprised of the Following:			
Board designated cash	\$ 121,781	\$ -	\$ 121,781
Donor restricted funds - investment in perpetuity	-	25,000	25,000
Total Endowment Investments	\$ 121,781	\$ 25,000	\$ 146,781

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

7. Endowment, Investments and Investment Return *(continued)*

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2017	\$ 146,831	\$ 25,000	\$ 171,831
Board designated cash	67,986	-	67,986
Investment income, net	2,385	-	2,385
Capital depreciation	(1,888)	-	(1,888)
Distribution from Board designated cash	(138,633)	-	(138,633)
Balance, December 31, 2018	<u>\$ 76,681</u>	<u>\$ 25,000</u>	<u>\$ 101,681</u>
Comprised of the Following:			
Board designated cash	\$ 76,681	\$ -	\$ 76,681
Donor restricted funds - investment in perpetuity	-	<u>25,000</u>	<u>25,000</u>
Total Endowment Investments	<u>\$ 76,681</u>	<u>\$ 25,000</u>	<u>\$ 101,681</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$25,000, fair value of \$23,737 and deficiencies of \$1,264 were reported in net assets with donor restrictions. During 2019, \$1,264 was restored.

The following are major categories of investments measured at fair value and categorized by the fair value hierarchy for those investments measured at fair value at December 31:

	2019	2018
Quoted Prices in Active Market for Identical Assets (Level 1)		
Mutual funds	\$ 13,790	\$ 10,931
Fixed income corporate bonds	<u>13,786</u>	<u>12,723</u>
	27,576	23,654
Cash and cash equivalents	<u>-</u>	<u>83</u>
	<u>\$ 27,576</u>	<u>\$ 23,737</u>

Investment return consists of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 741	\$ 624
Net unrealized and realized gain / (loss)	<u>3,098</u>	<u>(1,888)</u>
	<u>\$ 3,839</u>	<u>\$ (1,264)</u>

The Pawling Free Library

Notes to Financial Statement
December 31, 2019 and 2018

8. Concentrations of Credit Risk

Financial instruments which potentially subject the Library to concentrations of credit risk consist primarily of cash and cash equivalents and investments. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Library does not believe that a significant risk of loss due to the failure of a financial institution presently exists.

For 2019 and 2018, revenue from State and local governments approximated 90% and 85% of the Library's total operating revenue.

9. Economic Dependency

The Library receives a substantial amount of its support from State and local governments. A significant reduction in the level of this support, if it were to occur, would have a negative effect on the Library's programs and activities.

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