



**FINANCIAL STATEMENTS**

**Year Ended June 30, 2022**

**with**

**Independent Accountants' Review Report**

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# CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

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## **Independent Accountants' Review Report**

The Board of Directors  
Cedar Mill Community Library Association

### **Report on the Financial Statements**

We have reviewed the accompanying financial statements of Cedar Mill Community Library Association (the Association), 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## Summarized Comparative Information

We previously reviewed the Association's 2021 financial statements and in our conclusion dated October 8, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

*Hellman, Seaman & Schmidt, P.C.*

Lake Oswego, Oregon  
October 3, 2022

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Financial Position**

*(See Independent Accountants' Review Report)*

<b>June 30, 2022</b> <i>(With Comparative Amounts for 2021)</i>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 775,493	\$ 817,354
Pledges receivable <i>(Note 2)</i>	21,195	290
Inventories - Second Edition Store	79,567	71,696
Prepaid expenses and deposits	156,837	148,204
Investments <i>(Notes 3 and 11)</i>	1,432,489	1,454,763
Property and equipment - net <i>(Note 4)</i>	311,584	346,361
Collection of books and library materials <i>(Note 5)</i>	-	-
<b>Total assets</b>	<b>\$ 2,777,165</b>	<b>\$ 2,838,668</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 48,853	\$ 25,140
Accrued payroll and related expenses	500,141	502,838
Deferred rent <i>(Note 6)</i>	4,547	-
<b>Total liabilities</b>	<b>553,541</b>	<b>527,978</b>
Commitments <i>(Notes 6 and 9)</i>		
<b>Net assets:</b>		
Without donor restrictions:		
Board-designated <i>(Notes 7 and 12)</i>	858,777	868,618
Undesignated	1,216,001	1,321,376
Total without donor restrictions	2,074,778	2,189,994
With donor restrictions <i>(Note 8)</i>	148,846	120,696
<b>Total net assets</b>	<b>2,223,624</b>	<b>2,310,690</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,777,165</b>	<b>\$ 2,838,668</b>

*The accompanying notes are an integral part of the financial statements.*

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Activities**

*(See Independent Accountants' Review Report)*

**June 30, 2022** *(With Comparative Totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Revenues and support:</b>				
County service contract	\$ 4,707,945	\$ -	\$ 4,707,945	\$ 4,570,821
Desk receipts	16,109	-	16,109	12,536
Second Edition Store sales	221,450	-	221,450	48,107
Donations from individuals	156,376	7,274	163,650	175,677
Other contributions and grants	916	102,191	103,107	37,341
Contributed nonfinancial assets	3,581	-	3,581	867
Contributed nonfinancial assets - Second Edition Store	229,321	-	229,321	46,370
Other library revenue	11,816	-	11,816	5,594
Investment return - net <i>(Note 3)</i>	(148,526)	-	(148,526)	142,298
Net assets released from restrictions <i>(Note 8)</i>	81,315	(81,315)	-	-
<b>Net revenues and support</b>	<b>5,280,303</b>	<b>28,150</b>	<b>5,308,453</b>	<b>5,039,611</b>
<b>Operating Expenses:</b>				
Library:				
Library program services	4,132,272	-	4,132,272	3,910,800
General and administrative	510,025	-	510,025	483,989
Fundraising	25,293	-	25,293	29,936
Second Edition Store	353,567	-	353,567	151,568
<b>Total operating expenses</b>	<b>5,021,157</b>	<b>-</b>	<b>5,021,157</b>	<b>4,576,293</b>
<b>Collection sales and expenses:</b>				
Used book sales	46,944	-	46,944	26,781
Books and other materials expenses	(421,306)	-	(421,306)	(403,628)
<b>Collection sales and expenses - net <i>(Note 5)</i></b>	<b>(374,362)</b>	<b>-</b>	<b>(374,362)</b>	<b>(376,847)</b>
<b>Increase (decrease) in net assets</b>	<b>(115,216)</b>	<b>28,150</b>	<b>(87,066)</b>	<b>86,471</b>
Net assets, beginning of year	2,189,994	120,696	2,310,690	2,224,219
<b>Net assets, end of year</b>	<b>\$ 2,074,778</b>	<b>\$ 148,846</b>	<b>\$ 2,223,624</b>	<b>\$ 2,310,690</b>

*The accompanying notes are an integral part of the financial statements.*

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Functional Expenses**

*(See Independent Accountants' Review Report)*

**June 30, 2022** *(With Comparative Totals for 2021)*

	Library				Second Edition Store	Total	
	Program Services	General and Administrative	Fundraising	Total		2022	2021
	Salaries and wages	\$ 2,701,347	\$ 331,243	\$ 9,820		\$ 3,042,410	\$ 83,132
Payroll taxes	203,559	25,113	741	229,413	6,272	235,685	219,581
Employee benefits	458,763	75,172	1,711	535,646	8,748	544,394	560,510
<b>Total payroll costs</b>	<b>3,363,669</b>	<b>431,528</b>	<b>12,272</b>	<b>3,807,469</b>	<b>98,152</b>	<b>3,905,621</b>	<b>3,727,062</b>
Equipment	57,198	626	4,795	62,619	194	62,813	61,395
General supplies and services	34,306	30,560	190	65,056	2,502	67,558	43,386
Library programming	61,882	-	-	61,882	-	61,882	26,408
Library supplies and services	55,557	-	-	55,557	-	55,557	44,313
Occupancy and insurance	506,612	6,356	1,680	514,648	27,271	541,919	514,885
Cost of sales	-	-	-	-	221,450	221,450	48,107
Professional fees	7,507	40,462	5,863	53,832	-	53,832	53,618
Depreciation and amortization	45,541	493	493	46,527	3,998	50,525	57,119
<b>Total operating expenses</b>	<b>4,132,272</b>	<b>510,025</b>	<b>25,293</b>	<b>4,667,590</b>	<b>353,567</b>	<b>5,021,157</b>	<b>4,576,293</b>
Books and other materials	421,306	-	-	421,306	-	421,306	403,628
<b>Total expenses</b>	<b>\$ 4,553,578</b>	<b>\$ 510,025</b>	<b>\$ 25,293</b>	<b>\$ 5,088,896</b>	<b>\$ 353,567</b>	<b>\$ 5,442,463</b>	<b>\$ 4,979,921</b>

*The accompanying notes are an integral part of the financial statements.*

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Cash Flows**

*(See Independent Accountants' Review Report)*

<b>June 30, 2022</b> <i>(With Comparative Amounts for 2021)</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase (decrease) in net assets	\$ (87,066)	\$ 86,471
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	180,264	(104,587)
Depreciation and amortization	50,525	57,119
(Increase) decrease in:		
Pledges receivable	(20,905)	(112)
Inventories - Second Edition Store	(7,871)	1,737
Prepaid expenses and deposits	(8,633)	17,162
Increase (decrease) in:		
Accounts payable	15,839	(37,343)
Accrued payroll and related expenses	(2,697)	42,939
Deferred rent	4,547	(9,894)
<b>Net cash provided by operating activities</b>	<b>124,003</b>	<b>53,492</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	-	112,413
Purchases of investments	(157,991)	(40,427)
Purchases of property and equipment	(7,873)	(2,680)
<b>Net cash provided (used) by investing activities</b>	<b>(165,864)</b>	<b>69,306</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(41,861)</b>	<b>122,798</b>
Cash and cash equivalents, beginning of year	817,354	694,556
<b>Cash and cash equivalents, end of year</b>	<b>\$ 775,493</b>	<b>\$ 817,354</b>
<b>Supplemental disclosure of non-cash activities:</b>		
Additions to property and equipment in accounts payable	\$ 7,874	\$ -

*The accompanying notes are an integral part of the financial statements.*



# CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

## Notes to Financial Statements

(See Independent Accountants' Review Report)

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### 1. Organization and Summary of Significant Accounting Policies

**Organization** - Cedar Mill Community Library Association (the Association) was incorporated on September 27, 1974, under provisions of the Oregon Non-Profit Corporation Act. The Association was formed for the purpose of providing free library services to residents of an unincorporated area of Washington County previously without library services. The Association also operates the Second Edition Store, which sells donated clothing and household items.

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

*Net assets without donor restrictions* represent net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Association and/or the passage of time.

Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates. Among other areas, estimates are used in the valuation of inventories at the Second Edition Store, for the depreciable lives of property and equipment, and for the allocation of expenses by function.

**Adoption of New Accounting Standard** - Effective July 1, 2021, the Association has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Fair Value Measurement (Topic 820): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Among other things, this ASU requires in-kinds to be separately listed in the statement of activities and enhanced disclosures about monetization of in-kind donations, valuation techniques, and donor restrictions. The Association has adopted the provisions of this ASU on a retrospective basis, and there was no effect on previously reported net assets as a result of its adoption.

## CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

### Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

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#### 1. Organization and Summary of Significant Accounting Policies - Continued

**Upcoming Accounting Pronouncement** - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Association on July 1, 2022.

The Association is evaluating the potential impact of this ASU on its financial statements.

**Cash and Cash Equivalents** - The Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Pledges Receivable** - Pledges receivable, collectible in one year or less, are recorded at estimated net realizable value. Pledges receivable, collectible in more than one year, are recorded at the present value of estimated future cash flows. All pledges considered to be uncollectible have been written off; accordingly, no allowance for uncollectible pledges was deemed necessary by management as of June 30, 2022.

**Inventories - Second Edition Store** - Inventories consist primarily of donated clothing, furniture, appliances, household goods, and other items received and held for sale by the Association's Second Edition Store. All inventories are recorded at estimated net realizable value.

**Investments** - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Investments in certificates of deposit and insured deposit accounts are carried at cost plus accumulated interest, which approximates fair value. Realized and unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by a donor are reported as increases in the appropriate net asset class. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the market value reported in the financial statements.

# CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

## Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

### 1. Organization and Summary of Significant Accounting Policies - Continued

**Property and Equipment** - Expenditures for equipment and leasehold improvements are stated at cost or estimated fair value at date of donation. Major expenditures and those which substantially increase useful lives, are capitalized. Equipment and leasehold improvements are depreciated and amortized using the straight-line method over the estimated useful lives, as follows:

Equipment	3 to 7 years
Furniture and fixtures	7 to 10 years
Leasehold improvements	7 to 15 years

**Revenue Recognition** - The Association's major sources of revenue and support and related recognition policies are summarized as follows:

*County Service Contract* - This revenue is derived from a public library services agreement with Washington County and is classified as a conditional contribution, which is conditioned upon certain performance requirements specified in the contract. Amounts received are recognized as revenue when the Association has met the related performance requirements. Amounts received prior to meeting those requirements are reported as deferred revenue. At June 30, 2022, the Association had no funds remaining under this contract which had not been recognized as revenue since the related performance requirements had been met. During the year ended June 30, 2022, the Association received approximately 93 percent of its support from this agreement. If a significant reduction in the level of this support were to occur, it would have an effect on the Association's programs and activities. At June 30, 2022, the Association had entered into a new contract with Washington County totaling \$20,287,173, which will be recognized during the fiscal years ended June 30, 2023 to June 30, 2026 as the related performance obligations are met.

*Desk Receipts* - Desk receipts are recognized based on the Association's lending rules and policies established in conjunction with the Washington County Cooperative Library Service (WCCLS). Revenues are recognized at the point in time in which the patron has returned or checked out a library item (book, board game, etc.) and the fee has been applied to their account.

*Second Edition Store Sales and Used Book Sales* - Revenues are recognized at the point in time when the donated clothing item, household item, and/or book has been sold.

*Donations from Individuals and Other Contributions and Grants* - The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give (pledge); or notification of a beneficial interest is received. 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 met.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net asset with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

## CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

### Notes to Financial Statements - Continued (See Independent Accountants' Review Report)

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#### 1. Organization and Summary of Significant Accounting Policies - Continued

##### Revenue Recognition - Continued

*Contributed Nonfinancial Assets and Services* - Significant services received which create or enhance nonfinancial assets, or require specialized skills the Association would have purchased if not donated, are recognized in the statement of activities in the year received. The Association receives contributed services from a large number of volunteers who assist in a range of program and fundraising activities. The value of such services has not been recognized in the statement of activities since the criteria for recognition have not been met.

In-kind contributions of equipment and other materials are recorded where there is an objective basis on which to value these contributions and where the contributions are an essential part of the Association's activities. Contributions of inventory to be sold at the Second Edition Store are valued at estimated fair value at date of donation, which is the estimated net realizable value from the eventual sale of those items. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net asset without donor restrictions class. Contributions of cash or other assets to be used to acquire property and equipment and leasehold improvements with such donor stipulations are reported as revenues of the net asset with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**Advertising Expense** - Advertising costs are charged to expense as incurred.

**Income Taxes** - The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Association is not classified as a private foundation.

The Association files informational returns with the Internal Revenue Service and the state of Oregon. Generally, these returns are subject to examination for three years from the filing of the return. There are currently no audits for any tax periods in progress.

Management does not believe the Association has any tax positions that do not meet the more likely than not criteria. Accordingly, the Association has not recorded any liability for uncertain tax positions to its major tax jurisdictions. The Association did not record any penalty or interest related to its tax positions and if any were recorded, those amounts would be included in general and administrative expenses.

**Functional Allocation of Expenses** - The expenses of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. These expenses are allocated on the basis of square footage and full-time equivalency.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**1. Organization and Summary of Significant Accounting Policies - Continued**

**Summarized Financial Information for 2021** - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**Subsequent Events** - Management has evaluated subsequent events through October 3, 2022, the date the financial statements were available for issue.

**2. Pledges Receivable**

Pledges receivable are summarized as follows at June 30:

	2022	2021
Contributions expected to be received within one year	<u>\$ 21,195</u>	<u>\$ 290</u>

**3. Investments**

Investments consist of the following at June 30:

	2022	2021
Mutual funds	\$ 149,743	\$ 158,883
Certificates of deposit	949,925	886,773
Stocks	164,733	182,472
Insured deposit account	6,527	55,233
Beneficial interest in funds held at Oregon Community Foundation (OCF)	<u>161,561</u>	<u>171,402</u>
	<u>\$ 1,432,489</u>	<u>\$ 1,454,763</u>

Investments at OCF consist of a pooled investment portfolio where the majority of the investments have readily determinable fair values (publicly traded equity and fixed income securities). However, a portion of this portfolio consists of alternative investments that do not have a readily determinable fair value. OCF values these investments using a variety of valuation methods it deems most appropriate in the individual circumstance.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**3. Investments - Continued**

The following schedule summarizes the net investment return for the year ended June 30, 2022:

Interest and dividends	\$ 31,738
Net unrealized losses	<u>(180,264)</u>
	<u>\$ (148,526)</u>

**4. Property and Equipment**

Property and equipment consist of the following at June 30:

	2022	2021
Equipment	\$ 203,209	\$ 253,412
Furniture and fixtures	327,354	327,354
Leasehold improvements	<u>709,801</u>	<u>696,130</u>
	1,240,364	1,276,896
Less accumulated depreciation and amortization	<u>(928,780)</u>	<u>(930,535)</u>
	<u>\$ 311,584</u>	<u>\$ 346,361</u>

**5. Collection of Books and Library Materials**

The Association's collection of books and other library materials is made up of items that are held for educational, research, scientific, and public entertainment purposes. Each of the items are catalogued and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collection has been acquired through purchases and contributions since the Association's inception. It is not recognized as an asset on 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. Donated collection items are not recorded as contributions since the Association does not capitalize its collection. The Association received \$15,108 of donated collection items during the year ended June 30, 2022. Used books and materials taken out of circulation are sold, if possible, and the proceeds are used to add to the collection. Proceeds are not used for direct care.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**6. Commitments**

The Association leases its Cedar Mill facility under an operating lease agreement that expires in June 2026. This lease calls for monthly rent payments of \$20,213.

The Association leases its Bethany facility under an operating lease agreement that expires in June 2026. This lease calls for escalating rent payments over the term of the lease starting with monthly rent payments of \$7,279 and ending with monthly rent payments of \$8,180.

The Association leases its Bethany Annex facility under an operating lease agreement that expires in June 2026. This lease calls for escalating rent payments over the term of the lease starting with monthly rent payments of \$3,031 and ending with monthly rent payments of \$3,406.

The Association also leases a copier under an operating lease agreement that expires in November 2023. This lease calls for monthly rent payments of \$745.

Minimum future lease payments under the non-cancelable operating leases described above are as follows at June 30, 2022:

<b>Years Ending June 30,</b>	<b>Amount</b>
2023	\$ 375,215
2024	370,000
2025	373,694
2026	<u>381,588</u>
	<u><u>\$ 1,500,496</u></u>

Rent expense is recorded on a straight-line basis over the lives of the respective leases. A liability for deferred rent is recorded when cumulative expense recognized exceeds amounts paid based on the terms of the lease. Total rent expense for the year ended June 30, 2022, was \$417,912 and the deferred rent liability was \$4,547 at June 30, 2022.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**7. Board-Designated Net Assets**

A summary of Board-designated net assets at June 30 is as follows:

	2022	2021
Quasi-endowment	\$ 161,561	\$ 171,402
Capital projects, including Bethany expansion	<u>697,216</u>	<u>697,216</u>
	<u>\$ 858,777</u>	<u>\$ 868,618</u>

**8. Net Assets with Donor Restrictions**

A summary of net assets with donor restrictions at June 30 is as follows:

	2022	2021
Bethany branch improvements and expansion	\$ 106,849	\$ 99,575
Programming	<u>41,997</u>	<u>21,121</u>
	<u>\$ 148,846</u>	<u>\$ 120,696</u>

During the year ended June 30, 2022, \$81,315 of net assets with donor restrictions were released from restrictions due to specific actions of the Association and the passage of time.

**9. Pension Plan**

The Association maintains a 403(b) plan for all eligible employees, and annually contributes 8 percent of eligible participant salaries to the plan. Contributions to the plan for the year ended June 30, 2022, totaled \$222,994.



## CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

### Notes to Financial Statements - Continued

(See Independent Accountants' Review Report)

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#### 10. Concentrations of Credit Risk

Financial instruments that subject the Association to concentrations of credit risk consist primarily of cash, investments, and pledges receivable. The Association maintains cash and cash equivalents in local banks that may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits. A portion of the investments is held with OCF in a pooled fund and consists of equity and debt securities that are not insured. At June 30, 2022, 91 percent of pledges receivable was due from one donor.

#### 11. Fair Value Measurements

GAAP provides the 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 quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under GAAP and the valuation methodologies used for assets are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Association has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

**11. Fair Value Measurements - Continued**

The Association's assets measured at fair value on a recurring basis are comprised of the following at June 30:

	<b>2022</b>	<b>2021</b>
Investments	\$ 476,037	\$ 512,757

Fair value at June 30, 2022, was determined as follows:

	<b>Quoted Market Prices (Level 1 Inputs)</b>	<b>Unobservable Inputs (Level 3 Inputs)</b>	<b>Total</b>
Mutual funds	\$ 149,743	\$ -	\$ 149,743
Stocks	164,733	-	164,733
Beneficial interest in funds held at OCF	-	161,561	161,561
	\$ 314,476	\$ 161,561	\$ 476,037

The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual Funds and Stocks:* Determined by reference to quoted market prices or other relevant data and are classified as Level 1.

*Beneficial Interest in Funds held at OCF:* The Association's share of a pooled investment portfolio managed by OCF is not actively traded and significant other observable inputs are not available. However, as described in *Note 3*, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**12. Quasi-Endowment**

The Association's quasi-endowment includes funds designated by the Board of Directors (the Board) to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association's quasi-endowment is invested with OCF. The Board of Directors of OCF determines investment and spending policies of funds held by OCF, which would include the Association's funds with OCF summarized in *Note 3*.

OCF follows a total-return strategy in the Association which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized), and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes, such as hedge funds, distressed debt, and private investments, and cash. The Association believes the investment and spending policy is consistent with the Association's objective to maintain purchasing power of the quasi-endowment assets held in perpetuity as well as to provide additional real growth through new designations and investment return. The Association, itself, has not implemented a formal spending policy.

Changes in the quasi-endowment for the year ended June 30, 2022, are as follows:

Balance, June 30, 2021	\$ 171,402
Investment return - net	(9,522)
Distributions	<u>(319)</u>
Balance, June 30, 2022	<u><u>\$ 161,561</u></u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**  
*(See Independent Accountants' Review Report)*

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**13. Liquidity and Availability of Resources**

The Association's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at June 30, 2022:

Cash and cash equivalents	\$ 775,493
Pledges and other receivables	21,195
Investments	<u>1,432,489</u>
Total financial assets available within one year	2,229,177
Less:	
Amounts unavailable for general expenditure within one year, due to donor restrictions	148,846
Board-designated funds	<u>858,777</u>
Total amounts unavailable	<u>(1,007,623)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 1,221,554</u></u>

The Association maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Additionally, the Association's Board has designated funds for purposes described in *Note 7*. Although management intends to use these funds in accordance with the designations established by the Board, amounts could be made available for current operations, if approved by the Board.