



**CEDAR MILL COMMUNITY  
LIBRARY ASSOCIATION  
FINANCIAL STATEMENTS  
Year Ended June 30, 2019**

**with**

**Independent Auditors' Report**

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# CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

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## **Independent Auditors' Report**

The Board of Directors  
Cedar Mill Community Library Association

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

We have audited the accompanying financial statements of Cedar Mill Community Library Association, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Cedar Mill Community Library Association as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

As discussed in *Note 1* to the financial statements, Cedar Mill Community Library Association has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited Cedar Mill Community Library Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hellman, Stewart & Schmiel, P.C.*

Lake Oswego, Oregon  
September 10, 2019

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Financial Position**

<b>June 30, 2019</b> <i>(With Comparative Amounts for 2018)</i>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 598,427	\$ 1,358,690
Pledges and other receivables <i>(Note 2)</i>	960	552
Inventories - Second Edition Store	65,337	54,458
Prepaid expenses and deposits	193,943	189,720
Investments <i>(Notes 3 and 11)</i>	1,344,245	798,496
Property and equipment - net <i>(Note 4)</i>	442,601	327,026
Collection of books and library materials <i>(Note 5)</i>	-	-
<b>Total assets</b>	<b>\$ 2,645,513</b>	<b>\$ 2,728,942</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 23,254	\$ 57,104
Accrued payroll and related expenses	435,150	412,644
Deferred rent <i>(Note 6)</i>	16,967	7,277
<b>Total liabilities</b>	<b>475,371</b>	<b>477,025</b>
Commitments <i>(Notes 6 and 9)</i>		
<b>Net assets:</b>		
Without donor restrictions:		
Board-designated <i>(Notes 7 and 12)</i>	850,492	959,334
Undesignated	1,211,676	1,177,590
Total without donor restrictions	2,062,168	2,136,924
With donor restrictions <i>(Note 8)</i>	107,974	114,993
<b>Total net assets</b>	<b>2,170,142</b>	<b>2,251,917</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,645,513</b>	<b>\$ 2,728,942</b>

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

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Activities**

**Year Ended June 30, 2019** (With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Revenues and other support:</b>				
County service contract (Note 10)	\$ 4,257,577	\$ -	\$ 4,257,577	\$ 4,163,287
Fines and lost material	96,878	-	96,878	97,713
Second Edition Store contributions and sales	322,197	-	322,197	302,462
Used book sales (Note 5)	65,289	-	65,289	67,672
Membership	98,670	11,690	110,360	154,979
Donations and grants	35,613	39,135	74,748	70,909
In-kind donations	950	-	950	852
Other library revenue	16,307	-	16,307	13,515
Investment return - net (Note 3)	42,585	-	42,585	17,774
Net assets released from restrictions (Note 8)	57,844	(57,844)	-	-
<b>Net revenues and other support</b>	<b>4,993,910</b>	<b>(7,019)</b>	<b>4,986,891</b>	<b>4,889,163</b>
<b>Expenses:</b>				
Library:				
Library program services	4,475,219	-	4,475,219	4,193,126
General and administrative	379,833	-	379,833	391,064
Fundraising	34,270	-	34,270	52,364
Second Edition Store	179,344	-	179,344	181,961
<b>Total expenses</b>	<b>5,068,666</b>	<b>-</b>	<b>5,068,666</b>	<b>4,818,515</b>
<b>Increase (decrease) in net assets</b>	<b>(74,756)</b>	<b>(7,019)</b>	<b>(81,775)</b>	<b>70,648</b>
Net assets, beginning of year	2,136,924	114,993	2,251,917	2,181,269
<b>Net assets, end of year</b>	<b>\$ 2,062,168</b>	<b>\$ 107,974</b>	<b>\$ 2,170,142</b>	<b>\$ 2,251,917</b>

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

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Functional Expenses**

**Year Ended June 30, 2019** *(With Comparative Totals for 2018)*

	<u>Library</u>			<u>Second Edition Store</u>	<u>Total</u>		
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		<u>Total</u>	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 2,611,268	\$ 231,235	\$ 8,710	\$ 2,851,213	\$ 114,183	\$ 2,965,396	\$ 2,869,873
Payroll taxes	196,715	17,408	656	214,779	8,611	223,390	215,990
Employee benefits	451,780	60,540	1,324	513,644	19,905	533,549	498,044
Books and other materials <i>(Note 5)</i>	514,824	-	-	514,824	-	514,824	493,177
Library programming	44,917	-	-	44,917	-	44,917	48,415
Book maintenance	20,715	-	-	20,715	-	20,715	18,672
Occupancy and insurance	456,423	9,541	1,636	467,600	27,538	495,138	460,655
Supplies	81,224	3,016	2,958	87,198	1,526	88,724	52,587
Professional fees	1,528	34,079	-	35,607	-	35,607	32,815
Printing	-	-	15,480	15,480	-	15,480	9,474
Postage	712	2,090	2,667	5,469	-	5,469	4,821
Advertising	1,088	-	-	1,088	1,313	2,401	2,027
Newsletter	9,779	-	-	9,779	-	9,779	12,338
Depreciation and amortization	44,588	551	551	45,690	4,103	49,793	50,606
Equipment maintenance	26,816	-	-	26,816	-	26,816	12,102
Staff development	7,340	174	95	7,609	229	7,838	6,186
Other expenses	5,502	21,199	193	26,894	1,936	28,830	30,733
	<b><u>\$ 4,475,219</u></b>	<b><u>\$ 379,833</u></b>	<b><u>\$ 34,270</u></b>	<b><u>\$ 4,889,322</u></b>	<b><u>\$ 179,344</u></b>	<b><u>\$ 5,068,666</u></b>	<b><u>\$ 4,818,515</u></b>

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

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Statement of Cash Flows**

<b>Year Ended June 30, 2019</b> <i>(With Comparative Totals for 2018)</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ (81,775)	\$ 70,648
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gain on investments	(23,196)	(5,245)
Depreciation and amortization	49,793	50,606
(Increase) decrease in:		
Pledges and other receivables	(408)	153
Inventories - Second Edition Store	(10,879)	(5,108)
Prepaid expenses and deposits	(4,223)	(20,864)
Increase (decrease) in:		
Accounts payable	(33,850)	29,099
Accrued payroll and related expenses	22,506	(2,800)
Deferred rent	9,690	2,478
<b>Net cash provided (used) by operating activities</b>	<b>(72,342)</b>	<b>118,967</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	1,424	314,449
Purchases of investments	(523,977)	(224,933)
Purchases of property and equipment	(165,368)	(4,793)
<b>Net cash provided (used) by investing activities</b>	<b>(687,921)</b>	<b>84,723</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(760,263)</b>	<b>203,690</b>
Cash and cash equivalents, beginning of year	1,358,690	1,155,000
<b>Cash and cash equivalents, end of year</b>	<b>\$ 598,427</b>	<b>\$ 1,358,690</b>

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



# CEDAR MILL COMMUNITY LIBRARY ASSOCIATION

## Notes to Financial Statements

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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 and for the depreciable lives of property and equipment.

**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, 2019.

**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 net realizable value.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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

**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.

**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	4 to 15 years

**Revenue Recognition** - All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor.

**Contributions** - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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

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

**In-kind Contributions** - The Association receives contributed services from a large number of volunteers who assist in a range of program activities and fundraising. The value of such services, which the Association considers not practicable to estimate, has not been recognized in the statement of activities. 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.

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 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 a not-for-profit association 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.

**Summarized Financial Information for 2018** - 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, 2018, from which the summarized information was derived.

**Reclassifications** - Certain reclassifications have been made to the 2018 information to conform with the 2019 presentation.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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

**Adoption of New Accounting Standard** - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association implemented ASU 2016-14 during the year ended June 30, 2019, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Recent Accounting Pronouncement** - In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The ASU is effective for accounting periods beginning after December 15, 2018. The Association has not determined the effect of the standard on its ongoing financial reporting.

**2. Pledges and Other Receivables**

Pledges and other receivables are summarized as follows at June 30:

	2019	2018
Contributions expected to be received within one year	\$ 960	\$ 445
Other receivables	-	107
	<u>\$ 960</u>	<u>\$ 552</u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

**3. Investments**

Investments consist of the following at June 30:

	<b>2019</b>	<b>2018</b>
Mutual funds	\$ 105,030	\$ 4,616
Certificates of deposit	1,027,324	675,122
Stocks	80,489	498
Insured deposit account	6,043	-
Beneficial interest in funds held at Oregon Community Foundation	<u>125,359</u>	<u>118,260</u>
	<u><u>\$ 1,344,245</u></u>	<u><u>\$ 798,496</u></u>

Investments at Oregon Community Foundation (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.

The following schedule summarizes the net investment return for the year ended June 30, 2019:

Interest and dividends	\$ 20,510
Investment fees	(1,121)
Net realized and unrealized gains	<u>23,196</u>
	<u><u>\$ 42,585</u></u>

**4. Property and Equipment**

Property and equipment consist of the following at June 30:

	<b>2019</b>	<b>2018</b>
Equipment	\$ 254,330	\$ 289,132
Furniture and fixtures	320,109	359,950
Leasehold improvements	<u>687,002</u>	<u>562,516</u>
	1,261,441	1,211,598
Less accumulated depreciation and amortization	<u>(818,840)</u>	<u>(884,572)</u>
	<u><u>\$ 442,601</u></u>	<u><u>\$ 327,026</u></u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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**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. Used books and materials taken out of circulation are sold, if possible, and the proceeds are used to add to the collection. A summary of activity related to the Association's collection activity is as follows for the years ended June 30:

	<b>2019</b>	<b>2018</b>
Estimated fair value of collection items donated	\$ 35,398	\$ 39,130
Purchased collection items	<u>514,824</u>	<u>493,177</u>
Total additions to collection	<u><u>\$ 550,222</u></u>	<u><u>\$ 532,307</u></u>

**6. Commitments**

The Association leases its Cedar Mill facility under an operating lease agreement that expires in June 2021. The lease calls for monthly rent payments of \$20,213. The Association leases its Bethany facility under an operating lease agreement that expires in June 2021. This lease calls for escalating rent payments over the term of the lease starting with monthly rent payments of \$6,660 and ending with monthly rent payments of \$7,279. The Association leases its Bethany Annex facility under an operating lease agreement that expires in June 2021. This lease calls for escalating rent payments over the term of the lease starting with monthly rent payments of \$2,750 and ending with monthly rent payments of \$3,031. The Association also leases a copier under an operating lease agreement that expires in November 2023.

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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**6. Commitments - Continued**

Minimum future lease payments under the noncancelable operating leases described above are as follows at June 30, 2019:

<b>Years Ending June 30,</b>	<b>Amount</b>
2020	\$ 370,387
2021	374,640
2022	8,940
2023	8,940
2024	<u>3,725</u>
	<u><u>\$ 766,632</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, 2019, was \$383,782.

**7. Board-Designated Net Assets**

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

	<b>2019</b>	<b>2018</b>
Quasi-endowment	\$ 125,359	\$ 118,260
Capital projects, including Bethany expansion	<u>725,133</u>	<u>841,074</u>
	<u><u>\$ 850,492</u></u>	<u><u>\$ 959,334</u></u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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**8. Net Assets with Donor Restrictions**

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

	2019	2018
Bethany branch improvements and expansion	\$ 12,039	\$ 90,156
Programming	<u>95,935</u>	<u>24,837</u>
	<u>\$ 107,974</u>	<u>\$ 114,993</u>

During the year ended June 30, 2019, \$57,844 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, 2019, totaled \$201,721.

**10. Concentrations**

*Concentration of Support* - During the year ended June 30, 2019, the Association received approximately 85 percent of its support under a public library services agreement with Washington County. 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.

*Concentrations of Credit Risk* - Financial instruments that subject the Association to concentrations of credit risk consist primarily of cash and investments. The Association maintains cash and cash equivalents in local banks that may, at times, exceed the 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.



**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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**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.

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

	<b>2019</b>	<b>2018</b>
Investments	<u>\$ 310,878</u>	<u>\$ 123,374</u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

**11. Fair Value Measurements - Continued**

Fair value at June 30, 2019, was determined as follows:

	<b>Quoted Market Prices (Level 1 Inputs)</b>	<b>Unobservable Inputs (Level 3 Inputs)</b>	<b>Total</b>
Mutual funds	\$ 105,030	\$ -	\$ 105,030
Stocks	80,489	-	80,489
Beneficial interest in funds held at Oregon Community Foundation	-	125,359	125,359
	<u>\$ 185,519</u>	<u>\$ 125,359</u>	<u>\$ 310,878</u>

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 Investments held at OCF:* The Association's share of a pooled investment portfolio managed by OCF. The Association's share of the pooled investment portfolio 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.

A summary of the changes in fair value of Level 3 assets are as follows for the year ended June 30, 2019:

Balance, beginning of year	\$ 118,260
Interest and dividends	880
Realized and unrealized gains	7,547
Investment management fees	(1,026)
Grants and scholarships awarded	(302)
	<u>\$ 125,359</u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

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**12. Quasi-Endowment**

The Association's quasi-endowment includes funds designated by the Board of Directors to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors 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 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 years ended June 30, 2019 and 2018, are as follows:

Balance, June 30, 2017	\$ 108,686
Investment return - net	9,879
Grants and scholarships awarded	<u>(305)</u>
Balance, June 30, 2018	118,260
Investment return - net	7,401
Grants and scholarships awarded	<u>(302)</u>
Balance, June 30, 2019	<u><u>\$ 125,359</u></u>

**CEDAR MILL COMMUNITY LIBRARY ASSOCIATION**

**Notes to Financial Statements - Continued**

**13. Liquidity and Availability of Resources**

The Associations' financial assets available for general expenditure within one year of the statement of financial positions date consist of the following:

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 598,427	\$ 1,358,690
Pledges and other receivables	960	552
Investments	<u>1,344,245</u>	<u>798,496</u>
Total financial assets available within one year	1,943,632	2,157,738
Less:		
Amounts unavailable for general expenditure within one year, due to donor restrictions	107,974	114,993
Board-designated funds	<u>850,492</u>	<u>959,334</u>
Total amounts unavailable	<u>958,466</u>	<u>1,074,327</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 985,166</u></u>	<u><u>\$ 1,083,411</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-designated funds for several purposes as noted in *Note 7*, which are a component of net assets without donor restrictions. Although management intends to use these funds in accordance with provisions outlined by the Board of Trustees, amounts could be made available for current operations, if approved by the Board.

**14. Subsequent Events**

Management has evaluated subsequent events through September 10, 2019, the date the financial statements were available for issue.