



KELLOGG-HUBBARD LIBRARY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2025

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

KELLOGG-HUBBARD LIBRARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Kellogg-Hubbard Library
Montpelier, Vermont

We have audited the accompanying financial statements of Kellogg-Hubbard Library (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kellogg-Hubbard Library as of June 30, 2025 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kellogg-Hubbard Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kellogg-Hubbard Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kellogg-Hubbard Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kellogg-Hubbard Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is presented as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Schedule of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2026 on our consideration of Kellogg-Hubbard Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kellogg-Hubbard Library's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jmm & Associates". The signature is written in dark ink and is positioned above the date.

February 6, 2026

KELLOGG-HUBBARD LIBRARY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

A S S E T S

CURRENT ASSETS

Cash - unrestricted	\$ 939,583
Cash - restricted	41,639
Short-term investment	250,000
Accounts receivable	44,704
Prepaid expenses	115
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TOTAL CURRENT ASSETS 1,276,041

PROPERTY AND EQUIPMENT

Building and improvements	3,103,269
Furniture and equipment	162,682
Construction in progress	2,009,326
	<hr/>
	5,275,277
Less accumulated depreciation	<u>(1,866,590)</u>

TOTAL PROPERTY AND EQUIPMENT 3,408,687

OTHER ASSETS

Long-term investments	<u>6,453,007</u>
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TOTAL OTHER ASSETS 6,453,007

TOTAL ASSETS \$ 11,137,735

See accompanying notes.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 716,187
Accrued salaries and related liabilities	14,953
Accrued compensated absences	29,665
Deferred income	<u>7,207</u>

TOTAL CURRENT LIABILITIES 768,012

TOTAL LIABILITIES 768,012

NET ASSETS

Net assets without donor restrictions:

Undesignated	3,229,328
Board-designated	<u>6,257,829</u>
Total net assets without donor restrictions	<u>9,487,157</u>

Net assets with donor restrictions:

Net assets with donor restrictions - purpose or time period	195,619
Net assets with donor restrictions - in perpetuity	<u>686,947</u>
Total net assets with donor restrictions	<u>882,566</u>

TOTAL NET ASSETS 10,369,723

TOTAL LIABILITIES AND NET ASSETS \$ 11,137,735

See accompanying notes.

KELLOGG-HUBBARD LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS
SUPPORT AND REVENUE

Contributions	\$ 250,293
Municipal support	623,996
Program fees	26,285
Loss on disposal	(152,629)
Other income	<u>37,252</u>
Subtotal - support and revenue	785,197
Net assets released from restrictions - endowment earnings	67,829
Net assets released from restrictions - other	<u>27,180</u>
 TOTAL SUPPORT AND REVENUE	 <u><u>880,206</u></u>

EXPENSES

Program services	907,985
Support services	
General and administrative	326,384
Fundraising	<u>104,873</u>
Subtotal - support services	<u>431,257</u>
 TOTAL EXPENSES	 <u><u>1,339,242</u></u>

OPERATING LOSS (459,036)

OTHER INCOME

Flood recovery grants	1,167,057
Investment income	<u>569,574</u>

TOTAL OTHER INCOME 1,736,631

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 1,277,595

BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS 8,209,562

ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS \$ 9,487,157

See accompanying notes.

KELLOGG-HUBBARD LIBRARY
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	
SUPPORT AND REVENUE	
Contributions	\$ 14,275
Capital gifts	150,490
Investment income	<u>67,829</u>
Subtotal - support and revenue	232,594
Net assets released from restrictions - endowment earnings	(67,829)
Net assets released from restrictions - other	<u>(27,180)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	137,585
BEGINNING NET ASSETS WITH DONOR RESTRICTIONS	<u>744,981</u>
ENDING NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 882,566</u></u>
TOTAL CHANGE IN NET ASSETS	<u><u>\$ 1,415,180</u></u>

See accompanying notes.

KELLOGG-HUBBARD LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 447,254	\$ 144,521	\$ 55,043	\$ 646,818
Employee benefits	120,870	39,057	14,875	174,802
Payroll taxes	33,601	10,726	4,067	48,394
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal - personnel costs	601,725	194,304	73,985	870,014
Occupancy	84,642	27,350	10,417	122,409
Depreciation	77,890	25,168	9,586	112,644
Books and programs	110,428	-	-	110,428
Miscellaneous	21	40,502	2,316	42,839
Professional services	(500)	23,964	653	24,117
Insurance	14,029	4,533	1,726	20,288
Office expense	13,534	2,644	1,007	17,185
Information technology	6,109	3,703	1,411	11,223
Conferences and meetings	-	4,028	-	4,028
Advertising	-	188	3,772	3,960
Travel	107	-	-	107
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 907,985</u>	<u>\$ 326,384</u>	<u>\$ 104,873</u>	<u>\$ 1,339,242</u>

See accompanying notes.

KELLOGG-HUBBARD LIBRARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grants and contributions	\$ 2,051,154
Cash received from interest and dividends	176,953
Other operating receipts	21,583
Cash paid for personnel	(852,324)
Cash paid to suppliers for goods and services	<u>(383,442)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,013,924

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	308,438
Purchases of investments	(150,307)
Decrease in short-term investments	7,221
Purchases of property and equipment	<u>(1,414,951)</u>

NET CASH USED BY INVESTING ACTIVITIES (1,249,599)

CASH FLOWS FROM FINANCING ACTIVITIES

Capital gifts	<u>150,490</u>
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NET CASH PROVIDED BY FINANCING ACTIVITIES 150,490

DECREASE IN CASH (85,185)

BEGINNING CASH AND RESTRICTED CASH 1,066,407

ENDING CASH AND RESTRICTED CASH \$ 981,222

REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS:

Cash - unrestricted	\$ 939,583
Cash - restricted	<u>41,639</u>

\$ 981,222

See accompanying notes.

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Summary of operations

The Kellogg-Hubbard Library (the Library or the Organization) is a nonprofit public library located in Montpelier, Vermont. The Library was formed in 1894 and serves the Central Vermont area. For over a century, the Kellogg-Hubbard Library has been at the heart of our communities: preserving yesterday, informing today and inspiring tomorrow. The Library's primary sources of revenue are grants, municipal support and private contributions.

Basis of accounting

The financial statements of the Kellogg-Hubbard Library have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation

The Kellogg-Hubbard Library is required to report its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Contributions

The Kellogg-Hubbard Library reports its contributions as increases in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates market value.

The Kellogg-Hubbard Library maintains all of its cash in Vermont banks. Amounts on deposit are restricted up to \$250,000 per depositor per bank. The amount on deposit in excess of the applicable FDIC limit was approximately \$985,000 as of June 30, 2025.

KELLOGG-HUBBARD LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Kellogg-Hubbard Library is a nonprofit organization under the Internal Revenue Code 501(c)(3), and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 501(a) of the Code. The Library believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Property and equipment

Property and equipment is stated at cost. Depreciation is calculated using the straight-line method over the useful life of each asset. The Library's policy is to capitalize all acquisitions with an initial value of \$5,000 and life expectancy of at least three years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donor stipulations must be maintained, the Kellogg-Hubbard Library reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Indirect costs have been allocated to the various programs based on estimated time spent by each person or square footage.

Measure of operations

The Kellogg-Hubbard Library includes in its measure of operations all revenue and expenses that are an integral part of its programs and supporting activities. The measure of operations includes investment income equal to a defined spending rate, and excludes investment return in excess of the spending rate, net assets released from restrictions for capital purposes, gain or loss on sale or disposal of capital assets, and purchases and sales of collection items.

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Generally accepted accounting principles for fair value measurements emphasize a market-based approach to fair value, and require disclosures about valuation techniques used in the preparation of financial statements. The framework establishes a hierarchy that prioritizes the inputs used in measuring fair value (with Level 1 given the highest priority and Level 3 the lowest):

- Level 1 inputs are quoted prices available in active markets.
- Level 2 inputs are other than quoted prices available in active markets which are "observable" as of the reporting date (such as published life expectancy tables used for valuing an annuity).
- Level 3 inputs use "significant unobservable inputs" and include net present value calculations of estimated future cash flows.

Revenue recognition

The Kellogg-Hubbard Library occasionally provides services to customers under contracts for special programs. A contract with a customer may create legal rights and obligations whether or not the contract is in writing. The rights and obligations under the contract may, in turn, give rise to contract assets and contract liabilities. There were no material contract assets or contract liabilities as of the beginning or end of fiscal year 2025.

Advertising

Advertising costs are expensed when incurred.

Provision for credit losses and adoption of new accounting standard

On July 1, 2024, Kellogg-Hubbard Library adopted Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. ASU 2016-13 requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Credit losses on accounts receivable as of June 30, 2024 were not material to the financial statements. As a result, there was no material cumulative effect on net assets as of July 1, 2024 or the change in net assets for the year ended June 30, 2025, resulting from the adoption of ASU 2016-13.

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed nonfinancial assets and adoption of new accounting standard

Effective July 1, 2024, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which improves transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The effects of the new standard have been applied retrospectively to each prior reporting period presented. The restatement had no effect on net assets as of July 1, 2024.

Donated materials and services

The Library occasionally receives donated materials to support the Organization's programs and activities. Such donations are consumed by the Organization and are not monetized.

The Library receives various types of in-kind support including professional services and unskilled labor. Contributed professional services are recognized at fair value if the services rendered (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. No amounts have been recorded in the accompanying financial statements as there were no donated services that satisfied the criteria for recognition.

Collection items

The Library's physical collection consists primarily of books, media and a few miscellaneous art and historical items. The collection is maintained under the care of the library staff and is held for research, education and public exhibition in furtherance of public service, rather than financial gain. The Library's policy is to exclude either the cost or the value of its collections in the Statement of Financial Position, nor does it recognize gifts of collection items as revenue in the Statement of Activities. Since items acquired for the collection by purchase are not capitalized, the costs of these acquisitions are reported as decreases in net assets in the Statement of Activities. Proceeds from sales of collection items are used to acquire other items for the collection or to maintain the existing collection.

2) RESTRICTED CASH

The Library's restricted cash consisted of funds to support certain programs and activities.

3) SHORT-TERM INVESTMENT

Short-term investment consisted of a certificate of deposit which is reported at cost, which approximates fair value.

KELLOGG-HUBBARD LIBRARY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

4) LIQUIDITY

The Library regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Library considers all expenditures related to its ongoing activities of library programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Library has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit (see Note 7).

In addition to financial assets available to meet general expenditures over the next 12 months, the Library operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2025, the following table shows the total financial assets held by Kellogg-Hubbard Library and the amounts of those financial assets that could readily be made available within one year of the date of the Statement of Financial Position to meet general expenditures:

Cash - unrestricted	\$ 939,583
Cash - restricted, current	41,639
Short-term investments	250,000
Accounts receivable	44,704
Long-term investments	6,453,007
Total financial assets	<u>7,728,933</u>
Less amounts not available to meet general expenditures over the next 12 months:	
Board-designated net assets	(6,257,829)
Net assets with donor restrictions	<u>(882,566)</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 588,538</u></u>

5) LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30, 2025:

Mutual funds:	
Equity securities:	
Small and mid-market capitalization	\$ 458,616
Large-market capitalization	1,153,632
Industry-specific	182,230
Subtotal - mutual funds	<u>1,794,478</u>
Fixed income securities:	
Investment grade or unrated	278,942
Subtotal - fixed income securities	<u>278,942</u>
Total mutual funds	<u>2,073,420</u>
Subtotal (forward)	<u><u>\$ 2,073,420</u></u>

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5) LONG-TERM INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Subtotal (forwarded)	\$ 2,073,420
Money market funds priced at \$1 per share	55,521
Equity securities	2,280,559
Fixed income securities	<u>2,043,507</u>
	<u>\$ 6,453,007</u>

The fair values of the Library's funds by investment class are as follows as of June 30, 2025:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Cash and money funds	\$ 55,521	\$ 55,521	\$ -
Fixed income	2,043,507	2,095,890	(52,383)
Equities	2,280,559	807,223	1,473,336
Exchange traded and other funds	<u>2,073,420</u>	<u>1,373,139</u>	<u>700,281</u>
	<u>\$ 6,453,007</u>	<u>\$ 4,331,773</u>	<u>\$ 2,121,234</u>

As described in Note 7, a portion of the Library's investments are maintained in a Pledged Asset Account which serves as collateral for the Library's line of credit. The balance in the account was approximately \$1,687,000 as of June 30, 2025, which exceeded the minimum required.

Investment return for the year ended June 30, 2025 is summarized as follows:

Interest and dividends	\$ 176,953
Net realized gain	89,593
Net unrealized gain	396,096
Investment fees	<u>(25,239)</u>
	<u>\$ 637,403</u>

Investment return is reported on the Statement of Activities as follows:

Net assets without donor restrictions	\$ 569,574
Net assets with donor restrictions	<u>67,829</u>
	<u>\$ 637,403</u>

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6) ENDOWMENT FUNDS

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position "Endowments of Not-for-Profit Organizations Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Interpretation of relevant law

The State of Vermont enacted UPMIFA effective May 5, 2009, the provisions of which apply to endowment funds existing or established after that date. The Library's Board of Trustees has determined that the Library's donor-restricted and board-designated endowment net assets meet the definition of endowment funds under UPMIFA.

The Board of Trustees of the Library has interpreted State of Vermont law 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. There are no explicit donor stipulations that govern the Library's permanent endowment funds. The Organization considers the duration and preservation of the fund, the availability of other resources and the general investment policies of the Library when establishing the investment allocation of the fund.

Funds with deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level the donors or UPMIFA requires the Library to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as net assets without donor restrictions. There were no such deficiencies as of June 30, 2025.

Return objectives and risk parameters

The endowment funds have the objective to support the Library and its mission over the long term; preserve the value and maintain long-term growth of the endowment, and provide a stable source of income to support the Library's operational needs.

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6) ENDOWMENT FUNDS (continued)

Strategies employed for achieving objectives

The Kellogg-Hubbard Library has adopted investment policies for the endowment funds that attempt to serve as a key pillar in supporting the Library's long-term ability to effectively pursue its mission to promote services and programs which are charitable, literary, scientific, or educational.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Library expects its endowment assets, over time, to produce an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

Spending policy and how the investment objectives relate to spending policy

The Kellogg-Hubbard Library has a policy of appropriating for distribution each year not more than 5% of a trailing three-year average of the endowment's total asset value. The Library's policy is to withdraw unappropriated earnings on donor-restricted endowment funds first, and then earnings on board-designated endowment funds. If approved by the Trustees, distributions in excess of the 5% amount may be made when necessary to meet operational expenses consistent with the annual budget.

Endowment net asset composition

Endowment net asset composition as of June 30, 2025 was as follows:

	Without Restrictions	Net Assets with Donor Restrictions		Total
		Un- appropriated Earnings	To be Held in Perpetuity	
Board-designated endowment funds	\$ 5,766,038	\$ -	\$ -	\$ 5,766,038
Donor-restricted endowment funds	-	-	686,947	686,947
	<u>\$ 5,766,038</u>	<u>\$ -</u>	<u>\$ 686,947</u>	<u>\$ 6,452,985</u>

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6) ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2025 were as follows:

	Net Assets with Donor Restrictions			Total
	Without Restrictions	Un-appropriated Earnings	To be Held in Perpetuity	
Balance - July 1, 2024	\$ 5,453,654	\$ -	\$ 686,947	\$ 6,140,601
Contributions	-	-	-	-
Investment returns, net	538,477	67,829	-	606,306
Transfers	(14,610)	-	-	(14,610)
Endowment distribution	(211,483)	(67,829)	-	(279,312)
Balance - June 30, 2025	<u>\$ 5,766,038</u>	<u>\$ -</u>	<u>\$ 686,947</u>	<u>\$ 6,452,985</u>

7) LINE OF CREDIT

In October 2024, the Organization executed a \$1 million line of credit bearing interest at the Wall Street Journal Prime Rate (7.5% at June 30, 2025). The agreement which was collateralized by a pledged investment account, expired in October 2025 and was not renewed. There was no amount outstanding on the line of credit as of June 30, 2025.

8) FLOOD RECOVERY

In July 2023, Kellogg-Hubbard Library experienced significant damage to its property as a result of a disastrous flooding event in Central Vermont. To recover from the flood, the Library secured grant funding from the Federal Emergency Management Agency.

Construction in progress as of June 30, 2025 consisted of facility improvements and other capital purchases related to the flood recovery which have not yet been placed in service.

As of June 30, 2025, the Library has approximately \$250,000 remaining on signed construction contracts related to the recovery.

9) RETIREMENT PLAN

The Kellogg-Hubbard Library contributes 5.5% of each employee's salary to a defined contribution retirement plan, once the employee has reached 90 days of service. Retirement expense was \$33,878 for the year ended June 30, 2025.

KELLOGG-HUBBARD LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10) NET ASSETS

The Library's Board of Trustees has designated a portion of net assets without donor restrictions for the following purposes as of June 30, 2025:

Endowment funds	\$ 5,766,038
Cash flow reserve	150,000
Occupancy reserve	165,511
Reserve for future years	144,415
Reserve for technology & innovation	15,365
Reserve for audit costs	16,500
	<u>16,500</u>
	<u>\$ 6,257,829</u>

Net assets with donor restrictions consisted of the following at June 30, 2025:

Restricted by time or purpose:

Overheating project	\$ 155,450
Poetry	19,949
Fiber connection	6,671
Program innovation	3,656
Children's library	2,788
Collections	2,668
Other	1,148
Waste reduction	1,080
Learning lab	1,000
Books	534
Summer performers	350
Interlibrary loans and large print books	175
Novels	150
Subtotal - restricted by time or purpose	<u>195,619</u>

Restricted in perpetuity

Donor-restricted endowment funds	686,947
	<u>686,947</u>
	<u>\$ 882,566</u>

11) SUBSEQUENT EVENTS

As disclosed in Note 7, the Library terminated its \$1 million line of credit.

The Kellogg-Hubbard Library has evaluated events and transactions for potential recognition or disclosure through February 6, 2026, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

KELLOGG-HUBBARD LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-through Entity ID Number	Federal Expenditures
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
IMLS Grants to States			
Passed through Vermont Department of Libraries:			
IMLS Grants to States	45.310	01130-2024- COURIER-061	\$ 684
Total IMLS Grants to States			<u>684</u>
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			<u>684</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Disaster Grants - Public Assistance			
Passed through Vermont Department of Public Safety:			
Disaster Grants - Public Assistance	97.036	02140-84720- 073	1,165,557
Total Disaster Grants - Public Assistance			<u>1,165,557</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>1,165,557</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,166,241</u></u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

KELLOGG-HUBBARD LIBRARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

2) INDIRECT COST RATE

Kellogg-Hubbard Library has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3) BASIS OF PRESENTATION

The Schedule includes the federal award activity of Kellogg-Hubbard Library under programs of the Federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Kellogg-Hubbard Library it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kellogg-Hubbard Library.