



KENNEBUNK FREE LIBRARY ASSOCIATION

REVIEW OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

KENNEBUNK FREE LIBRARY ASSOCIATION

REVIEW OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

PAGE

FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 10, 2025

To the Board of Trustees
Kennebunk Free Library Association
Kennebunk, Maine

We have reviewed the accompanying financial statements of Kennebunk Free Library Association (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. 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 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 Kennebunk Free Library 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.

Report on Summarized Comparative Information

The amounts shown for the year ended June 30, 2024 in the financial statements are included to provide a basis for comparison with 2025 and present summarized totals only. Accordingly, 2024 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2024 and our report dated January 31, 2025 from which the summarized information was derived.

Cummings, Lamont & McNamee, PLLC

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*"Trusted Advisors for
over 60 years!"*

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KENNEBUNK FREE LIBRARY ASSOCIATION

STATEMENT OF FINANCIAL POSITION

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

JUNE 30, 2025

WITH COMPARATIVE TOTALS FOR JUNE 30, 2024

| | Net Assets without Restrictions | Net Assets with Restrictions | June 30, 2025 Total | June 30, 2024 Total |
|----------------------------------|---------------------------------------|------------------------------------|------------------------|------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 68,865 | \$ 22,953 | \$ 91,818 | \$ 184,066 |
| Grants receivable | - | - | - | 15,000 |
| Investments | 1,333,771 | 24,887 | 1,358,658 | 1,306,365 |
| Prepaid expenses | 1,213 | - | 1,213 | 241 |
| Property and equipment, net | 915,160 | - | 915,160 | 956,078 |
| Total Assets | <u>\$ 2,319,009</u> | <u>\$ 47,840</u> | <u>\$ 2,366,849</u> | <u>\$ 2,461,750</u> |
| LIABILITIES | | | | |
| Accrued expenses | \$ 29,194 | \$ - | \$ 29,194 | \$ 25,418 |
| Deferred income | 52,018 | - | 52,018 | 50,172 |
| Total Liabilities | <u>81,212</u> | <u>-</u> | <u>81,212</u> | <u>75,590</u> |
| NET ASSETS | | | | |
| Net assets without restrictions | 2,237,797 | - | 2,237,797 | 2,323,084 |
| Net assets with restrictions | <u>-</u> | <u>47,840</u> | <u>47,840</u> | <u>63,076</u> |
| Total Net Assets | <u>2,237,797</u> | <u>47,840</u> | <u>2,285,637</u> | <u>2,386,160</u> |
| Total Liabilities and Net Assets | <u>\$ 2,319,009</u> | <u>\$ 47,840</u> | <u>\$ 2,366,849</u> | <u>\$ 2,461,750</u> |

See Notes to Financial Statements

KENNEBUNK FREE LIBRARY ASSOCIATION

STATEMENT OF ACTIVITIES

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024

| | Net Assets without Restrictions | Net Assets with Restrictions | June 30, 2025 Total | June 30, 2024 Total |
|---------------------------------------|---------------------------------------|------------------------------------|------------------------|------------------------|
| SUPPORT AND REVENUE | | | | |
| Town of Kennebunk contribution | \$ 757,644 | \$ - | \$ 757,644 | \$ 686,261 |
| Town of Arundel contribution | 17,000 | - | 17,000 | 17,000 |
| Annual appeal | 55,006 | - | 55,006 | 62,608 |
| Other contributions and bequests | 76,137 | 18,563 | 94,700 | 164,904 |
| Fines and fees | 4,755 | - | 4,755 | 5,289 |
| Fundraising and special events | 78,029 | - | 78,029 | 69,225 |
| Investment income, net | 144,521 | - | 144,521 | 118,397 |
| Inkind donations | - | - | - | 221,000 |
| Net assets released from restrictions | 33,799 | (33,799) | - | - |
| Total Support and Revenue | 1,166,891 | (15,236) | 1,151,655 | 1,344,684 |
| EXPENSES | | | | |
| Program services | 1,001,217 | - | 1,001,217 | 967,641 |
| Management and general | 149,301 | - | 149,301 | 141,739 |
| Fundraising and special events | 125,716 | - | 125,716 | 111,678 |
| Total Expenses | 1,276,234 | - | 1,276,234 | 1,221,058 |
| OTHER INCOME | | | | |
| Rental income | 39,420 | - | 39,420 | 37,941 |
| Rental expenses | (15,827) | - | (15,827) | (13,894) |
| Other income | 463 | - | 463 | 484 |
| Total Other Income | 24,056 | - | 24,056 | 24,531 |
| CHANGE IN NET ASSETS | (85,287) | (15,236) | (100,523) | 148,157 |
| NET ASSETS, BEGINNING OF YEAR | 2,323,084 | 63,076 | 2,386,160 | 2,238,003 |
| NET ASSETS, END OF YEAR | \$ 2,237,797 | \$ 47,840 | \$ 2,285,637 | \$ 2,386,160 |

See Notes to Financial Statements

KENNEBUNK FREE LIBRARY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024

| | Program Services | Management and General | Fundraising and Special Events | June 30, 2025 Total | June 30, 2024 Total |
|----------------------------------|---------------------|---------------------------|--------------------------------------|------------------------|------------------------|
| Adult programming | \$ 4,758 | \$ - | \$ - | \$ 4,758 | \$ 3,321 |
| Annual appeal | - | - | - | - | 3,951 |
| Bank service charges | - | 1,831 | - | 1,831 | 1,604 |
| Building repairs and maintenance | 9,658 | 250 | 100 | 10,008 | 32,164 |
| Collection (books, etc.) | 66,537 | - | - | 66,537 | 125,333 |
| Depreciation | 100,355 | 2,600 | 1,040 | 103,995 | 98,417 |
| Development | - | - | 7,180 | 7,180 | - |
| Equipment repairs | 2,463 | 64 | 26 | 2,553 | 1,564 |
| Insurance | 11,414 | 3,454 | 150 | 15,018 | 9,437 |
| Juvenile programming | 4,733 | - | - | 4,733 | 4,329 |
| Library technology (computers) | 14,016 | 3,003 | 3,003 | 20,022 | 12,659 |
| Maintenance contracts | 14,750 | 382 | 153 | 15,285 | 11,547 |
| Medical insurance | 83,863 | 14,345 | 12,138 | 110,346 | 100,018 |
| Meetings and conferences | 143 | 143 | - | 286 | 1,036 |
| Miscellaneous | - | 2,031 | - | 2,031 | 2,437 |
| Payroll processing | 2,266 | 388 | 328 | 2,982 | 2,880 |
| Payroll taxes | 44,722 | 7,650 | 6,473 | 58,845 | 50,602 |
| Postage | 4,301 | 2,147 | - | 6,448 | 6,940 |
| Professional dues | 3,984 | 2,200 | - | 6,184 | 1,529 |
| Professional fees | 1,986 | 4,241 | 287 | 6,514 | 16,651 |
| Promotion | - | 1,472 | - | 1,472 | 1,464 |
| Retirement benefit | 8,422 | 1,441 | 1,219 | 11,082 | 9,013 |
| Road race | - | - | 4,292 | 4,292 | 6,304 |
| Salaries and wages | 572,605 | 97,946 | 82,877 | 753,428 | 664,362 |
| Snow removal | 6,197 | 161 | 64 | 6,422 | 4,907 |
| Special events | - | - | 5,939 | 5,939 | 6,208 |
| Supplies - maintenance | 1,803 | 277 | - | 2,080 | 919 |
| Supplies - custodial | 1,727 | 45 | 18 | 1,790 | 1,327 |
| Supplies - library and office | 5,256 | 806 | - | 6,062 | 6,737 |
| Supplies - photocopying | 2,107 | 323 | - | 2,430 | 1,192 |
| Telephone | 2,783 | 1,193 | - | 3,976 | 3,616 |
| Utilities | 29,523 | 765 | 306 | 30,594 | 26,765 |
| Workers compensation insurance | 845 | 143 | 123 | 1,111 | 1,825 |
| Total Expenses | <u>\$ 1,001,217</u> | <u>\$ 149,301</u> | <u>\$ 125,716</u> | <u>\$ 1,276,234</u> | <u>\$ 1,221,058</u> |

See Notes to Financial Statements

KENNEBUNK FREE LIBRARY ASSOCIATION

STATEMENT OF CASH FLOWS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

**YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024**

| | June 30, 2025 <u>Total</u> | June 30, 2024 <u>Total</u> |
|-----------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (100,523) | \$ 148,157 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 103,995 | 98,417 |
| Inkind donation of property | - | (221,000) |
| (Gains) losses on investments | (110,245) | (86,987) |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 15,000 | 15,000 |
| Prepaid expenses | (972) | 2,952 |
| Accrued expenses | 3,776 | 1,144 |
| Deferred income | 1,846 | 6,899 |
| Net cash provided by (used in) operating activities | <u>(87,123)</u> | <u>(35,418)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 113,812 | 465,842 |
| Payments for purchase of property and equipment | (63,077) | (370,709) |
| Purchases of investments | <u>(55,860)</u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>(5,125)</u> | <u>95,133</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(92,248)</u> | <u>59,715</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>184,066</u> | <u>124,351</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 91,818</u></u> | <u><u>\$ 184,066</u></u> |
| Cash and cash equivalents, unrestricted | \$ 68,865 | \$ 160,877 |
| Cash and cash equivalents, restricted | <u>22,953</u> | <u>23,189</u> |
| Total Cash and cash equivalents | <u><u>\$ 91,818</u></u> | <u><u>\$ 184,066</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ -</u> | <u>\$ -</u> |
| Cash paid during the year for income taxes | <u>\$ -</u> | <u>\$ -</u> |

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:

There were no noncash investing and financing activities during the years ended June 30, 2025 and 2024.

See Notes to Financial Statements

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - The Kennebunk Free Library Association (the "Association") is a not-for-profit Maine corporation organized April 24, 1882. The Association strives to meet the educational and recreational needs of the Town of Kennebunk and its surrounding communities. The Association embraces its responsibility to develop and to promote the use of resources that contribute to literacy and life-long learning. The Association's principal sources of revenue are contributions from the Town of Kennebunk and an annual appeal, fines and fees, special events and investment income.

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

Basis of Presentation - The Association follows the provisions of FASB Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. In accordance with these provisions, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions, accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that 1) may or will be met either by actions of the Association and/or the passage of time or 2) they be maintained permanently by the Association.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. See Note 8.

Donated Services - Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 8.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Grants Receivable - Grants receivable represents multi-year grants that have been awarded to the Association. The discount on grants due in more than one year is considered immaterial to these financial statements and has not been recorded. There were no grant's receivable at June 30, 2025.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that have been allocated include salaries and wages, payroll taxes, payroll processing and retirement fees which have been allocated based on an estimation of time and effort and depreciation, building repairs and maintenance, maintenance contracts, snow removal and supplies - custodial which have been allocated based on square footage.

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status - The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The federal tax return of the Association is subject to examination, generally for three years after it was filed.

Investments - The Association carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Promises to Give - Unconditional promises to give are recorded as received. Unconditional promises to give due in subsequent years are recorded at their present value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Concentrations of Credit Risk - The Association maintains bank balances at two banks and a brokerage house, and deposits are insured by the FDIC and SIPC, respectively. At times, the cash balances may exceed insured limits.

Other Concentrations - The Association's principal source of revenue consists of appropriations from the Town of Kennebunk which represented 75% of the Association's total noninvestment related revenue for the year ended June 30, 2025.

Property and Equipment - Purchased land, buildings, furnishings and equipment are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed using the straight-line method of depreciation over the assets' estimated service lives. The Association books and other resource materials are not reported as an asset, but are reported as an expense when acquired.

Recognition of Donor-Restricted Contributions - Support that is restricted by the donor is reported as an increase in net assets with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without restrictions.

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 2 - Cash

Cash is available for the following purposes as of June 30, 2025:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--------------------------------|----------------------|-----------------------------------|----------------------|
| Unrestricted: | | | |
| Board designated memorial fund | \$ 100 | \$ - | \$ 100 |
| Undesignated | 68,765 | - | 68,765 |
| Net assets with restrictions | <u>-</u> | <u>22,953</u> | <u>22,953</u> |
| Total | \$ <u>68,865</u> | \$ <u>22,953</u> | \$ <u>91,818</u> |

Note 3 - Fair Values of Assets

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

| <u>Description</u> | <u>Fair Values</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|--------------------|-------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
| ETFs | \$ <u>1,358,658</u> | \$ <u>1,358,658</u> | \$ _____ | \$ _____ |
| Total | \$ <u>1,358,658</u> | \$ <u>1,358,658</u> | \$ _____ | \$ _____ |

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 4 - Investments

Investments as of June 30, 2025, are summarized as follows:

| | <u>Cost</u> | <u>Fair Value</u> |
|-------|-------------------|---------------------|
| ETFs | \$ <u>932,215</u> | \$ <u>1,358,658</u> |
| Total | \$ <u>932,215</u> | \$ <u>1,358,658</u> |

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2025:

| | |
|-----------------------------------|-------------------|
| Investment income | \$ 39,194 |
| Investment advisory fees | (4,918) |
| Net realized and unrealized gains | <u>110,245</u> |
| Total investment return | \$ <u>144,521</u> |

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2025:

| | |
|-----------------------------------|-------------------|
| Land | \$ 250,338 |
| Buildings | 2,755,066 |
| Furnishings | 97,712 |
| Equipment | <u>111,232</u> |
| | 3,214,348 |
| Less accumulated depreciation | <u>2,299,188</u> |
| Total property and equipment, net | \$ <u>915,160</u> |

Note 6 - Restrictions and Limitations of Net Asset Balances

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

Subject to expenditure for specified purpose or passage of time:

| | |
|--------------------|---------------|
| Programs and books | \$ 15,637 |
| Preservation grant | 7,000 |
| Other | <u>316</u> |
| Total | <u>22,953</u> |

To be held in perpetuity:

| | |
|-----------|---------------|
| Endowment | <u>24,887</u> |
|-----------|---------------|

Total net assets with donor restrictions \$ 47,840

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 6 - Restrictions and Limitations of Net Asset Balances (continued)

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors were as follows for the year ended June 30, 2025:

| | |
|-----------------------------|------------------|
| Programs and books | \$ 18,799 |
| Grants receivable | <u>15,000</u> |
| Total restrictions released | \$ <u>33,799</u> |

Net assets without donor restrictions consisted of the following at June 30, 2025:

| | |
|---------------------------------------------|---------------------|
| Board Designated: | |
| Memorial Fund | \$ 100 |
| Endowment | <u>1,343,376</u> |
| Total Board Designated | 1,343,476 |
| Property and Equipment | 915,160 |
| Undesignated | <u>60,373</u> |
| Total net assets without donor restrictions | \$ <u>2,319,009</u> |

Note 7 - Endowment Funds

In January 2009, the Financial Accounting Standards Board (FASB) 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"). 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 fund (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Maine enacted UPMIFA in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Association adopted the Staff Position on February 28, 2012. The purpose of the Association's Endowment Fund is to lessen the burden on the taxpayers and fund the Association's operating and capital expenditures. The Fund is managed with a total return orientation that focuses on the production of income as well as maintaining and growing the real value of the endowment and subsequent distributions. The target asset allocation of the endowment is 60% equity securities, 35% fixed-income securities and 5% cash and cash equivalents. The spending policy of the Endowment Fund is to allocate no less than 3% and no more than 5% of the Fund's three year rolling average to the following year's budgeted revenue to support operating and capital expenditures.

As of June 30, 2025, the Association had endowment funds totaling \$1,368,263 consisting of both donor-restricted funds and funds designated by the Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 7 - Endowment Funds (continued)

The Board of Trustees of the Association has interpreted the Maine Prudent Management of Institutional Funds Act (MPMIFA) 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 Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

As of June 30, 2025, the Board of Trustees of the Association had designated \$1,343,376 of unrestricted net assets as a general endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Endowment net asset composition by fund as of June 30, 2025 is as follows:

| | Net Assets Without <u>Restrictions</u> | Net Assets With <u>Restrictions</u> | Total Net Endowment <u>Assets</u> |
|----------------------------------|----------------------------------------------|-------------------------------------------|-----------------------------------------|
| Donor-designated endowment funds | \$ - | \$ 24,887 | \$ 24,887 |
| Board-designated endowment funds | <u>1,343,376</u> | <u>-</u> | <u>1,343,376</u> |
| Total | \$ <u>1,343,376</u> | \$ <u>24,887</u> | \$ <u>1,368,263</u> |

Changes in endowment net assets as of June 30, 2025 are as follows:

| | Net Assets Without <u>Restrictions</u> | Net Assets With <u>Restrictions</u> | Total Net Endowment <u>Assets</u> |
|-----------------------------------------|----------------------------------------------|-------------------------------------------|-----------------------------------------|
| Endowment net assets, beginning of year | \$ 1,287,885 | \$ 24,887 | \$ 1,312,772 |
| Investment income net of fees | 34,225 | - | 34,225 |
| Distributions | (88,978) | - | (88,978) |
| Investment gains on endowment | <u>110,244</u> | <u>-</u> | <u>110,244</u> |
| Total | \$ <u>1,343,376</u> | \$ <u>24,887</u> | \$ <u>1,368,263</u> |

Note 8 - Donated Materials and Services

A substantial number of volunteers have donated significant amounts of their time in the Association's operations, program services and fundraising activities. This time is not recognized in the financial statements because it does not meet the criteria described in Note 1.

KENNEBUNK FREE LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

YEAR ENDED JUNE 30, 2025

Note 9 - Retirement Plan

The Association has established a voluntary contributory 401(k) plan for its employees. All employees who work 20 hours or more per week are eligible to participate in the plan immediately. The Association matches 2% of individual participants' contributions to the plan after 12 months and 1,000 hours of service. Total expense for the year ended June 30, 2025 was \$11,082.

Note 10 - Leases

In April 2024 the Association entered into a lease with a business tenant that runs through May 2026 with two year extension options at the end of each lease period. The lease calls for monthly rent of \$2,485 to be adjusted to fair market value at the time of any extensions.

In May 2024 the Association entered into a lease with a residential tenant. The lease is year to year with either part able to cancel at the end of any lease year with written notice. The lease calls for annual rent of \$9,600.

Total income received under these leases was \$39,420 for the year ended June 30, 2025.

The carrying value of leased property includes \$150,000 of land and \$419,872 of building net of accumulated depreciation of \$19,738 at June 30, 2025.

Note 11 - Liquidity and Availability of Resources

The Association has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ <u>59,160</u> |
| Total | \$ <u>59,160</u> |

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 12 - Subsequent Events

Subsequent events have been evaluated by management through December 10, 2025, which is the date the financial statements were available to be issued. There were no material subsequent events at December 10, 2025 that require disclosure in the financial statements.