

Mark Twain Library Association, Inc.

Financial Statements

May 31, 2017 and May 31, 2016

Studley - White, P.C.

ACCOUNTING - TAX - AUDITING - CONSULTING

# MARK TWAIN LIBRARY ASSOCIATION, INC.

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June 29, 2017

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Mark Twain Library Association, Inc.

We have audited the accompanying financial statements of Mark Twain Library Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Mark Twain Library Association, Inc. as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of comparison of support, revenue and expenses – budget vs. actual, on page 19 is presented for purposes of additional analysis and is 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.

*Studley, White & Associates, P.C.*

STUDLEY, WHITE & ASSOCIATES, P.C.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statements of Financial Position**  
**At May 31,**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 477,892	\$ 423,603
Prepaid expenses	8,158	7,724
Bequest receivable	-	15,000
Grant receivable	9,418	52,182
Investments	1,783,017	1,646,197
Contribution receivable from remainder trust	98,013	94,649
Land, building and equipment, net	2,043,805	2,091,295
<b>Total Assets</b>	<b>\$ 4,420,303</b>	<b>\$ 4,330,650</b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities</u>		
Accounts payable	\$ 51,191	\$ 38,790
Accrued payroll	13,562	11,990
Security held and deferred revenue	2,700	2,700
<b>Total Liabilities</b>	<b>67,453</b>	<b>53,480</b>
<u>Net Assets</u>		
Unrestricted net assets:		
Designated by the governing board for:		
Investment in land, building and equipment	2,043,805	2,091,294
Mark Twain Library endowment	1,247,602	1,182,175
Hermes Arts Series endowment	99,066	93,030
Stormfield Society endowment	402,349	370,992
Capital and operating reserve	355,117	380,710
<b>Total unrestricted net assets</b>	<b>4,147,939</b>	<b>4,118,201</b>
Temporarily restricted net assets	165,836	158,969
Permanently restricted net assets	39,075	-
<b>Total Net Assets</b>	<b>4,352,850</b>	<b>4,277,170</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,420,303</b>	<b>\$ 4,330,650</b>

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statements of Activities**  
**For the Years Ended May 31,**

	<b>2017</b>	<b>2016</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<u>Operating Support and Revenue:</u>		
Special events - revenue	\$ 312,973	\$ 305,974
- expenses	(134,912)	(137,902)
- net	178,061	168,072
Grants - state and local governments	503,020	741,387
Membership and contributions	138,054	136,677
Fines collected	15,493	15,347
Copier charges	2,356	1,636
Lost and damaged books and miscellaneous	(46)	142
Apartment rent	16,200	9,849
Investment return designated for current operations	30,418	3,990
Net assets released from restrictions	27,647	30,322
Total Operating Support and Revenue	911,203	1,107,422
 <u>Operating Expenses:</u>		
Program Services:		
Circulating library	702,719	690,101
Supporting Services:		
General administration	183,121	165,190
Fund Raising	99,328	75,348
Total Supporting Services	282,449	240,538
Total Operating Expenses	985,168	930,639
Change in net assets from operations	(73,965)	176,783
 <u>Other Changes:</u>		
Investment return in excess of (less than) amounts designated for current operations	103,703	(14,035)
 <b>Change in unrestricted net assets</b>	<b>29,738</b>	<b>162,748</b>

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statement of Activities (continued)**  
**For the Year Ended May 31, 2017**

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	2017	2016
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	31,150	26,000
Change in split interest agreement	3,364	3,702
Net assets released from restrictions	(27,647)	(30,322)
<b>Change in temporarily restricted net assets</b>	<b>6,867</b>	<b>(620)</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	39,075	-
<b>Change in permanently restricted net assets</b>	<b>39,075</b>	<b>-</b>
<b>Change in net assets</b>	<b>75,680</b>	<b>162,128</b>
Net assets at beginning at year	4,277,170	4,115,042
Net assets at end of year	<b>\$ 4,352,850</b>	<b>\$ 4,277,170</b>

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2017**

	<b>Program Services</b>	<b>Supporting Services</b>		
	<b>Circulating Library</b>	<b>General Administration</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries, payroll taxes and employee benefits	332,115	97,681	58,608	488,404
Books, periodicals and recordings	111,092	-	-	111,092
Custodial and janitorial	22,423	4,205	1,402	28,030
Dues, travel and education	-	2,894	-	2,894
Insurance	21,223	3,980	1,327	26,530
Maintenance:				
- buildings and grounds	38,525	7,224	2,408	48,157
- equipment	2,639	495	165	3,299
Postage	634	187	112	933
Supplies and printing	8,777	2,582	1,549	12,908
Professional fees	-	8,250	-	8,250
Programming	25,230	-	-	25,230
Telephone	2,244	660	396	3,300
Utilities and fuel	26,718	5,010	1,670	33,398
Interlibrary loan	61	-	-	61
Payroll service	2,570	756	453	3,779
Depreciation	74,504	13,969	4,656	93,129
Association expenses	-	18,268	-	18,268
Technology	33,964	-	-	33,964
Development	-	16,478	12,603	29,081
Annual appeal expenses	-	-	13,979	13,979
Credit card charges and miscellaneous	-	482	-	482
Total Expenses before cost of special events	702,719	183,121	99,328	985,168
Cost of special events	-	-	134,912	134,912
Total Expenses	702,719	183,121	234,240	1,120,080



**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2016**

	<b>Program Services</b>	<b>Supporting Services</b>	<b>Fund</b>	<b>Total</b>
	<b>Circulating Library</b>	<b>General Administration</b>	<b>Raising</b>	
Salaries, payroll taxes and employee benefits	334,273	92,046	58,134	484,453
Books, periodicals and recordings	104,812	-	-	104,812
Custodial and janitorial	22,580	4,234	1,411	28,225
Dues, travel and education	-	5,772	-	5,772
Insurance	20,363	3,818	1,273	25,454
Maintenance:				
- buildings and grounds	39,621	7,429	2,476	49,526
- equipment	2,951	553	184	3,689
Postage	311	86	54	450
Supplies and printing	9,032	2,487	1,571	13,090
Professional fees	-	15,743	-	15,743
Programming	24,909	-	-	24,909
Telephone	2,158	594	375	3,128
Utilities and fuel	25,974	4,870	1,623	32,467
Interlibrary loan	28	-	-	28
Payroll service	2,540	699	442	3,681
Depreciation	71,626	13,430	4,477	89,533
Association expenses	-	8,421	-	8,421
Technology	28,923	-	-	28,923
Development	-	4,742	-	4,742
Annual appeal expenses	-	-	3,327	3,327
Credit card charges and miscellaneous	-	266	-	266
Total Expenses before cost of special events	690,101	165,190	75,348	930,639
Cost of special events	-	-	137,902	137,902
Total Expenses	690,101	165,190	213,250	1,068,541

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Statements of Cash Flows**  
**For the Years Ended May 31,**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 75,680	\$ 162,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,129	89,533
Contributions restricted for endowment	(34,000)	
Securities received in kind	(1,359)	(1,192)
Realized and unrealized (gains) losses on investments	(91,291)	71,435
(Increase) decrease in operating assets:		
Prepaid expenses	(434)	45
Contributions receivable	11,636	6,298
Grant receivable	42,764	14,705
Increase (decrease) in operating liabilities:		
Accounts payable	9,163	24,836
Accrued payroll	1,572	3,575
Deferred revenue	-	1,900
	106,860	373,263
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to land, building and equipment	(42,401)	(311,008)
Purchase of investments	(239,330)	(491,589)
Sale of investments	195,160	368,939
	(86,571)	(433,658)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for endowment	34,000	-
	34,000	-
Net increase (decrease) in cash and cash equivalents	54,289	(60,395)
Cash and cash equivalents, beginning of year	423,603	483,998
Cash and cash equivalents, end of year	\$ 477,892	\$ 423,603

**Supplemental Statement of Non-cash Investing Activities**

The Library received securities in kind of \$1,359 and \$1,192 for the fiscal years ended May 31, 2017 and May 31, 2016 respectively.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 1 - Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of the financial statements of the Mark Twain Library Association, Inc. are described below to enhance the usefulness of the financial statements to the reader.

***Basis of Accounting***

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

***Basis of Presentation***

The Library reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of checking, savings, money market accounts and short term investments with an original maturity of six months or less.

***Investments***

Investments in equity securities with readily determinable fair values and investments in debt securities are carried at fair value in the statements of financial position. Realized and unrealized gains and losses and investment income are classified as changes in unrestricted net assets.

These investment securities and vehicles are exposed to numerous risks, including, but not limited to, interest rate fluctuation, market volatility and credit risks. Due to the level of risk associated with certain investments, changes in the value of the investment portfolio could occur, which would materially affect the financial statements and future financial position.

***Inexhaustible Collections and Books***

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Books used in the circulating library have also not been capitalized.

***Fixed Assets and Depreciation***

Fixed assets are recorded at cost. Depreciation of buildings, building improvements, furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. All additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

***Income Tax Status***

The Association is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also ruled that it is not a private foundation.

In accordance with ASC 740 "Accounting for Uncertainty in Tax Positions", the Library has evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination.

The Library's information returns are subject to review and examination by federal authorities. Information returns for the years ended May 31, 2014 - 2017 are open for examination by federal authorities.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Net Asset Categories***

To ensure observance of limitations and restrictions placed on the use of resources available to the Library, the accounts of the Library are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts which may be earmarked for specific purposes.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for operations.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

***Contributions***

The Library reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions receivable are reported at fair value.

***Contributed Services***

Members of the Board of Trustees and other volunteers, none of whom are compensated, perform a significant portion of the fundraising activities and contribute significant time to various programs for the benefit of the Library. The value of the contributed services is not reflected in these statements since the services provided do not meet the requirements for financial reporting.

***Compensated Absences***

Employees are entitled to paid vacation depending on length of service and other factors. The value of accumulated vacation could not be reasonably estimated and has not been accrued in the accompanying financial statements.

***Functional Expenses***

The Library allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification. Other costs have been allocated between the program and supporting services benefited.

***Reclassifications***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 2 - Investments**

Investments are presented in the financial statements at fair value and are summarized as follows:

	<b>May 31, 2017</b>		<b>May 31, 2016</b>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds	\$ 46,110	\$ 46,110	\$ 82,152	\$ 82,152
Fixed income securities and fixed income mutual funds	816,997	833,498	763,809	766,740
Equities and equity mutual funds	919,910	758,944	800,236	710,945
	<u>\$ 1,783,017</u>	<u>\$ 1,638,552</u>	<u>\$ 1,646,197</u>	<u>\$ 1,559,837</u>

Investment income is summarized as follows:

	<u>May 31, 2017</u>	<u>May 31, 2016</u>
Interest and dividends	\$ 53,645	\$ 71,749
Realized and unrealized gains (losses)	91,291	(71,435)
Management fees	(10,815)	(10,359)
	<u>134,121</u>	<u>(10,045)</u>
Change in split - interest agreement	3,364	3,702
Total investment income (loss)	<u>\$ 137,485</u>	<u>\$ (6,343)</u>

Investment income is reported in the statement of activities as follows:

	<u>May 31, 2017</u>	<u>May 31, 2016</u>
Investment return designated for current operations	\$ 30,418	\$ 3,990
Investment return in excess of (less than) amounts designated for current operations	103,703	(14,035)
	<u>\$ 134,121</u>	<u>\$ (10,045)</u>

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 3 – Charitable Remainder Trust**

The Library has been named as a beneficiary of a charitable remainder trust. Under the terms of this agreement \$200,000 is to be paid to the Library at the death of the income beneficiary and a \$200,000 contribution receivable is recorded in the statement of financial position at the present value of the estimated future payments, or \$98,013 at May 31, 2017 (\$94,649 at May 31, 2016), which was calculated using a discount rate of 6% and applicable mortality tables. Changes in the present value of the agreement are reflected in investment income.

**Note 4 – Endowment Funds**

The Library Board of Trustees has established three board-designated endowment funds: the Mark Twain Library Endowment, the Hermes Art Series Endowment, and the Stormfield Society Endowment. The purpose of the Mark Twain Library Endowment is to provide, over time, funds to be used for the general purposes of the Library at the discretion of the Board of Trustees. The purpose of the Hermes Art Series Endowment is to provide funds to enrich the quality of life in Redding, Connecticut by bringing to the community events in the visual, literary, theatre and musical arts. The primary purpose of the Stormfield Society Endowment is to provide funds for long term capital purposes at the discretion of the Board of Trustees. These endowments are recorded as unrestricted net assets in the accompanying financial statements since they have no donor-imposed restrictions.

The composition of endowment net assets by type of fund as of May 31, 2017 is as follows:

	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Mark Twain Library Endowment	\$ 1,247,602	\$ 39,075	\$ 1,286,677
Hermes Art Series Endowment	99,066	-	99,066
Stormfield Society Endowment	402,349	-	402,349
	<u>\$ 1,749,017</u>	<u>\$ 39,075</u>	<u>\$ 1,788,092</u>

Endowment net assets totaling \$1,646,197 at May 31, 2016 were all unrestricted.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 4 – Endowment Funds (continued)**

Changes in endowment net assets for the fiscal year ended May 31, 2017 are as follows:

	<b>Mark Twain Library Endowment</b>	<b>Hermes Art Series Endowment</b>	<b>Stormfield Society Endowment</b>	<b>Total</b>
Net Assets, June 1, 2016	\$ 1,182,175	\$ 93,030	\$ 370,992	\$ 1,646,197
Investment return:				
Interest and dividend income (net of fees)	30,401	3,044	7,143	40,588
Net appreciation (realized and unrealized)	60,136	6,941	24,214	91,291
Total investment return	90,537	9,985	31,357	131,879
Additions	40,434	-	-	40,434
Appropriation of endowment assets for expenditure	(26,469)	(3,949)	-	(30,418)
Net Assets, May 31, 2017	<u>\$ 1,286,677</u>	<u>\$ 99,066</u>	<u>\$ 402,349</u>	<u>\$ 1,788,092</u>

Changes in endowment net assets for the fiscal year ended May 31, 2016 are as follows:

	<b>Mark Twain Library Endowment</b>	<b>Hermes Art Series Endowment</b>	<b>Stormfield Society Endowment</b>	<b>Total</b>
Net Assets, June 1, 2015	\$ 1,193,189	\$ 100,721	\$ 299,881	\$ 1,593,791
Investment return:				
Interest and dividend income (net of fees)	47,618	4,782	7,452	59,852
Net appreciation (depreciation) (realized and unrealized)	(61,824)	(8,483)	(1,128)	(71,435)
Total investment return	(14,206)	(3,701)	6,324	(11,583)
Additions	3,192	-	64,787	67,979
Appropriation of endowment assets for expenditure	-	(3,990)	-	(3,990)
Net Assets, May 31, 2016	<u>\$ 1,182,175</u>	<u>\$ 93,030</u>	<u>\$ 370,992</u>	<u>\$ 1,646,197</u>



**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 4 – Endowment Funds (continued)**

The Library has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets does not decline over time. The Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library targets a diversified asset allocation whereby equity investment will normally comprise 40% to 60% of the endowment assets and fixed income securities 60% to 40% as approved by the board. The Library may appropriate each year no more than 4 percent of its Mark Twain Library and Hermes Art Series endowment funds' average fair value over the prior 12 quarters. Distributions from the Stormfield Society Endowment are limited to 4 percent for general operations but unlimited for capital needs at the discretion of the Library's board. The rate set for distribution is a percentage that is expected over time to be less than the earnings rate of the principal.

For the fiscal year ending May 31, 2018, the Library has budgeted to appropriate \$63,363 of its endowment assets to be distributed for spending. This is consistent with the Library's spending policy described above.

**Note 5 – Land, Building, Furniture and Equipment**

Land, building and equipment consist of the following:

	<u>May 31, 2017</u>	<u>May 31, 2016</u>	<u>Useful Life</u>
Land	\$ 14,018	\$ 14,018	
Building	377,671	377,671	40 years
Building improvements	3,168,794	3,112,067	40 years
Furniture and equipment	501,749	493,312	5 - 10 years
Construction in progress	-	19,525	
	<u>4,062,232</u>	<u>4,016,593</u>	
Accumulated depreciation	<u>(2,018,427)</u>	<u>(1,925,298)</u>	
	<u>\$ 2,043,805</u>	<u>\$ 2,091,295</u>	

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 6 – Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

	<b>May 31, 2017</b>	<b>May 31, 2016</b>
Library expansion	\$ 98,012	\$ 94,649
Maintenance of the Mark Twain Book Collection	2,896	48
Vision impaired	31,837	36,217
Books on tape	28	28
Wit and Wisdom scholarship	-	568
Archival materials	3,503	3,503
Flagg Fund	4,500	4,500
Technology	5,996	2,124
Enrichment programs	1,004	2,362
Children	8,060	4,970
Capital Improvements	10,000	10,000
	<u>\$ 165,836</u>	<u>\$ 158,969</u>

Net assets were released from restrictions for the following purposes:

	<b>May, 31 2017</b>	<b>May, 31 2016</b>
Vision impaired	\$ 12,380	\$ 4,037
Wit and Wisdom scholarships	568	1,292
Maintenance of the Mark Twain Book Collection	152	10,802
Enrichment programs	7,359	6,470
Technology	1,278	80
Children	5,910	6,530
Books on tape	-	811
Archival materials	-	300
	<u>\$ 27,647</u>	<u>\$ 30,322</u>

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 7- Special Events**

The special events of the Association for the fiscal years ended May 31, 2017 and 2016 were as follows:

	<u>Book Fair</u>	<u>Art Show</u>	<u>Frog Frolic</u>	<u>Puddn' Head Prize</u>	<u>Other</u>	<u>Total</u>
<b>2017</b>						
Gross receipts	\$ 79,052	\$ 68,922	\$ 60,385	\$ 98,624	\$ 5,990	\$ 312,973
Expenses	<u>(15,278)</u>	<u>(36,213)</u>	<u>(11,101)</u>	<u>(65,381)</u>	<u>(6,939)</u>	<u>(134,912)</u>
	<u>\$ 63,774</u>	<u>\$ 32,709</u>	<u>\$ 49,284</u>	<u>\$ 33,243</u>	<u>\$ (949)</u>	<u>\$ 178,061</u>
<b>2016</b>						
Gross receipts	\$ 78,519	\$ 83,846	\$ 58,232	\$ 82,094	\$ 3,283	\$ 305,974
Expenses	<u>(13,811)</u>	<u>(46,040)</u>	<u>(12,613)</u>	<u>(63,821)</u>	<u>(1,617)</u>	<u>(137,902)</u>
	<u>\$ 64,708</u>	<u>\$ 37,806</u>	<u>\$ 45,619</u>	<u>\$ 18,273</u>	<u>\$ 1,666</u>	<u>\$ 168,072</u>

**Note 8 – Concentrations and Credit Risks**

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

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Notes to Financial Statements**  
**May 31, 2017 and 2016**

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**Note 9 – Fair Value of Financial Instruments**

The carrying amounts reflected in the accompanying statements of financial position for cash and cash equivalents approximate their respective fair values due to the short maturities of those instruments. Investments are recorded at fair value as discussed in Note 1, and as presented in the table below. The fair value of the contribution receivable from remainder trust is measured using significant unobservable inputs as defined by GAAP and as discussed in Note 3.

	<b>Total</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>May 31, 2017:</b>				
Investments	\$ 1,783,017	\$ 1,464,819	\$ 318,198	\$ -
Contribution receivable from remainder trust	98,013	-	-	98,013
	<u>\$ 1,881,030</u>	<u>\$ 1,464,819</u>	<u>\$ 318,198</u>	<u>\$ 98,013</u>
<b>May 31, 2016:</b>				
Investments	\$ 1,646,197	\$ 1,268,794	\$ 377,403	\$ -
Contribution receivable from remainder trust	94,649	-	-	94,649
	<u>\$ 1,740,846</u>	<u>\$ 1,268,794</u>	<u>\$ 377,403</u>	<u>\$ 94,649</u>

The change in the fair value of the level 3 assets was \$3,364 for the year ended May 31, 2017 (\$3,702 at May 31, 2016).

**Note 10 – Subsequent Events**

Management has evaluated subsequent events through June 29, 2017 which is the date the financial statements were available to be issued. There were no subsequent events that require disclosure.

**MARK TWAIN LIBRARY ASSOCIATION, INC.**  
**Schedule of Comparison of Support, Revenue and Expenses**  
**Budget vs. Actual**  
**For the Year Ended May 31, 2017**

	<u>Annual Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
<b>Operating Fund:</b>			
Support and Revenue:			
Town tax appropriation	\$ 513,958	\$ 501,958	\$ (12,000)
Grants	21,000	35,577	14,577
Membership and contributions (net)	80,626	115,434	34,808
Special events (net)	150,139	178,061	27,922
Fines	14,700	15,493	793
Gifts and miscellaneous	5,400	6,129	729
Apartment rental	16,200	16,200	-
Interest and dividend income	900	2,217	1,317
Endowment support	45,648	26,469	(19,179)
<b>Total Support and Revenue</b>	<b>848,571</b>	<b>897,538</b>	<b>48,967</b>
Expenses:			
Salaries, payroll taxes and employee benefits	501,506	488,404	(13,102)
Books, periodicals and recordings	85,390	91,354	5,964
Interlibrary loan	500	61	(439)
Custodial and janitorial	30,440	28,030	(2,410)
Replacement reserve	5,000	-	(5,000)
Copier lease	1,200	1,362	162
Dues, travel and education	5,400	2,893	(2,507)
Insurance	25,250	26,530	1,280
Maintenance			
- buildings and grounds	34,000	46,507	12,507
- equipment	2,740	3,299	559
Payroll service	3,700	3,779	79
Postage	600	933	333
Supplies and printing	6,455	6,422	(33)
Professional fees	7,800	8,250	450
Programming	17,920	11,947	(5,973)
Telephone	3,800	3,300	(500)
Utilities and fuel	37,100	33,398	(3,702)
Technology	31,850	33,964	2,114
Association expenses	25,200	47,349	22,149
Gifts and miscellaneous	3,720	4,048	328
Restricted grant expense	19,000	27,097	8,097
<b>Total Expenses</b>	<b>848,571</b>	<b>868,927</b>	<b>20,356</b>
Excess of support and revenue over expenses -			
Operating Fund	\$ -	\$ 28,611	\$ 28,611