For FY 2016, the Kellogg-Hubbard Library (KHL) was funded primarily from three sources: 1) tax revenues from Montpelier, Calais, East Montpelier, Middlesex, and Worcester; 2) distributions from the Library's endowment, and 3) private donations. To a lesser extent, the Library receives some grants and other miscellaneous income. For FY 2017, we are delighted to note the Town of Berlin has rejoined our member towns.

As is the case with many non-profits in Vermont, the aging demographics of our donors and the strain on municipal budgets means we must and are increasing our attention to grant opportunities and philanthropic outreach, reevaluating fundraising events, and setting a goal that events must pay for themselves—rather than doing the same annual fundraising efforts. An example of our fundraising analysis was the cancellation of the annual Century Ride—replacing that event with a campaign for monthly sponsorships from area businesses. The Century Ride, established 12 years ago in cooperation with a local sports shop, had over time become just one of many fundraising bicycle rides in the area and declined as a profitable fundraiser.

Our Board of Trustees has been increased to a total of 13, with enhanced experience in fundraising and fiscal management. All events and fundraising efforts are being evaluated and new opportunities are being planned. Our KHL Management Team—Executive Director Tom McKone, Director of Library Services Carolyn Brennon, and Director of Finance & Operations Jessie Lynn—work responsibly within our approved budget, adjusting spending to meet all financial demands.

Of note among the numerous accomplishments for FY 2016, was the completion of the first external audit for our financial statements in many years. This involved a great deal of work by both the management staff and Trustees to prepare for the audit. These efforts included: bringing all accounting functions in-house (from an external CPA firm); development and publishing all necessary Board-level and management policies and procedures; a complete review of the endowment fund; resolution of outstanding accounting issues; and development of and transition to a new employee retirement plan requiring less administrative work and reflecting the nature of the KHL staff (for both short-term and career employees).

Following is additional information concerning FY 2016:

**Tax Revenues**

The Library changed the funding structure for the City of Montpelier and the four surrounding towns (Calais, East Montpelier, Middlesex and Worcester) to a per capita basis for each town. This amounted to an increase in Montpelier of $8,025 and on overall decrease for the other four towns of $932 (some increased and some decreased as a result of the change).

**Endowment Distribution**

To balance the budget in FY16, the Board approved an extra .5% from the endowment this year, for a total of $22,151 extra. This was a one-time approval based on meeting the current needs of the Library. Unfortunately, this was a low performance year for the stock market, so the
endowment earnings were not keeping pace with what we needed to withdraw. This is part of the reason that the library uses a three-year average, to offset lower performance years like this one. Overall, we had a $35,400 loss to the endowment this year, after factoring in our investment management fees, performance, and the annual distribution.

**Fundraising**

The Library was able to meet and slightly exceed the fundraising goal of $185,000 for the year. Raising this amount of money takes a considerable amount of money and support from Board members and volunteers. Fundraising activities this year included raffle ticket sales, two annual appeals (fall and spring), four book sales (fall, winter, spring and summer), an Evening at the Library in December, and the Spelling Bee in February.

**Fines**

E-mail reminders about due dates (which began going out in 2014) were initiated to improve service to our patrons; however, as we knew would happen, they have significantly reduced the amount of fines that patrons owe. This change has been a good news/bad news scenario; good for patrons, but bad for the Library’s bottom line. During FY16, the Library took in $10,526 less than was previously budgeted for fine income.

**Building/Occupancy**

Maintaining a beautiful and large historic building can have its challenges. This year, we had many more building repairs and unanticipated problems that normal, including over $10,000 in heating system repairs with the old existing infrastructure. By the end of the heating season, three out of six heating pumps were not working properly. Overall, repairs and maintenance on the building cost $28,200, which is double the average budget for this work. This cut down in the money reserved for working on other necessary projects. We were able to replace two windows with broken seals and reupholster three of our much worn and highly used arm chairs. The Library also started working with a new custodial service in August of 2015 and this company has been doing a great job taking care of the building.

District Heat has continued to come in line with the original projections. Although we couldn’t have anticipated the current $2/gallon oil prices, we still expect to see solid long-term savings for the Library. Once the necessary repairs are made on the existing heating infrastructure, the Library should be able to heat the building more effectively. We had areas of the Library significantly overheating during the winter because of the broken pumps and faulty radiator controls.

**Technology**

In FY16, we were able to purchase four new circulation desk computers to accommodate updated financial software. These upgrades were necessary to allow the Library to purchase EMV chip card readers at the desks, in order to be compliant with credit card standards.
End of Year

The normal operating income for FY16 was $901,692 and the operating expenses was $895,602, which amounts to an end-of-year surplus of $6,091. These results don’t take into account over $25,000 of restricted donations that were received in FY16. These donations included a new granite mouse sculpture in the front of the building, support for patrons with visual impairments, a brand new phone system upgrade and improvements to the main floor bathroom. The Library also received an additional $17,700 in grants and donations to support the PoemCity project which ran for the month of April 2016.

Graphic Representations of Revenues and Expenditures
It is both an honor and a pleasure to serve on the KHL Board of Trustees, and as Treasurer for the last year and a half. The caliber and commitment of the management staff, Trustees and employees result in an organization committed to the towns we serve and the role of libraries in the 21st century as centers of knowledge and community.

Susan A. Zeller
KHL Treasurer