

Approved by the FFL Board of Trustees  
at a regular meeting September 26, 2017



**FINANCIAL STATEMENTS**

**June 30, 2017**

**FAYETTEVILLE FREE LIBRARY**

**June 30, 2017**

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grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Trustees  
Fayetteville Free Library  
Fayetteville, New York

Management is responsible for the accompanying financial statements of Fayetteville Free Library, which comprise the statement of financial position as of June 30, 2017 and December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the six-month and twelve-month periods then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 2017 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The December 31, 2016 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated April 4, 2017. We have not performed any auditing procedures since that date.

*Grossman ST Amour CPAs*

Syracuse, New York  
September 19, 2017



**FAYETTEVILLE FREE LIBRARY**

**Statement of Financial Position**

<b>ASSETS</b>	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 636,490	\$ 1,594,274
Inventory	1,158	-
<b>Property and equipment, net</b>	<b>1,878,289</b>	<b>2,175,244</b>
	<b><u>\$ 2,515,937</u></b>	<b><u>\$ 3,769,518</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 42,849	\$ 55,431
Deferred revenue	-	895,292
Current portion of mortgage note payable	56,874	55,422
Current portion of capital lease obligations	-	5,918
Accrued expenses	23,565	25,944
Total current liabilities	<b><u>123,288</u></b>	<b><u>1,038,007</u></b>
<b>Long-term Liabilities:</b>		
Capital lease obligation, net of current portion	-	-
Mortgage note payable, net of current portion	437,058	465,899
Total long-term liabilities	<b><u>437,058</u></b>	<b><u>465,899</u></b>
Total liabilities	<b><u>560,346</u></b>	<b><u>1,503,906</u></b>
<b>Net assets:</b>		
Unrestricted		
Board-designated capital development fund	8,500	24,318
Other unrestricted net assets	1,947,091	2,241,294
Total unrestricted net assets	<b><u>1,955,591</u></b>	<b><u>2,265,612</u></b>
Total net assets	<b><u>1,955,591</u></b>	<b><u>2,265,612</u></b>
	<b><u>\$ 2,515,937</u></b>	<b><u>\$ 3,769,518</u></b>

The accompanying notes are an integral part of these financial statements

**FAYETTEVILLE FREE LIBRARY**

**Statements of Activities and Changes in Net Assets**

	Six months Ended June 30, 2017 (Unaudited)	Twelve months Ended December 31, 2016 (Audited)
<b>Revenue and support:</b>		
Tax levies	\$ 895,292	\$ 1,739,907
Grant revenues	-	2,992
Contributions and sponsorship	15,320	26,573
Donated furniture and equipment	-	13,938
Library fines and fees	27,191	52,829
Investment income	319	618
Cafe revenue	20,169	33,128
Total revenue and support	<u>958,291</u>	<u>1,869,985</u>
<b>Expenses:</b>		
Payroll - librarians	313,826	644,101
Payroll - support staff	223,520	427,922
Payroll taxes	39,811	79,869
Other employee benefits	10,988	20,203
Retirement Plan	11,006	17,385
Books and serials	43,667	110,525
Audio, video, and electronic media	27,230	74,198
Program supplies and expenses	31,341	49,573
Online computer and catalogue	15,895	21,389
Office expense	38,485	60,446
Utilities and telephone	23,730	42,858
Postage	623	1,007
Travel and conferences	5,888	23,018
Dues	900	755
Insurance	7,640	21,251
Building maintenance	15,007	55,663
Equipment maintenance	6,808	14,342
Depreciation and amortization	59,210	102,625
Legal and professional fees	10,377	6,922
Cafe expense	12,041	20,086
Other expenses	27,524	52,996
Interest expense	13,152	28,524
Total expenses	<u>938,669</u>	<u>1,875,658</u>
<b>Change in net assets</b>	<u>19,622</u>	<u>(5,673)</u>
Net assets at beginning of year	2,265,612	2,271,285
Depreciation adjustment	(329,643)	-
<b>Net assets at end of year</b>	<u>\$ 1,955,591</u>	<u>\$ 2,265,612</u>

The accompanying notes are an integral part of these financial statements

**FAYETTEVILLE FREE LIBRARY**

**Statements of Cash Flows**

	<b>Six months Ended June 30, 2017 (Unaudited)</b>	<b>Twelve months Ended December 31, 2016 (Audited)</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 19,622	\$ (5,673)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	59,210	102,625
Changes in:		
Inventory	(1,158)	
Accounts payable, accrued expenses and other liabilities	(14,961)	(53,955)
Deferred revenue	(895,292)	52,105
Net cash (used) provided by operating activities	<u>(832,579)</u>	<u>95,102</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(91,898)</u>	<u>(187,207)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on mortgage	(27,389)	(52,558)
Payments on capital leases	(5,918)	(34,701)
Net cash (used) by financing activities	<u>(33,307)</u>	<u>(87,259)</u>
Net (decrease) increase in cash	(957,784)	(179,364)
Cash and cash equivalents at beginning of year	<u>1,594,274</u>	<u>1,773,638</u>
Cash and cash equivalents at end of year	<u>\$ 636,490</u>	<u>\$ 1,594,274</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 13,152</u>	<u>\$ 28,524</u>

The accompanying notes are an integral part of these financial statements

## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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#### 1. Organization and Significant Accounting Policies

##### Organization

Fayetteville Free Library (the Library) is a member of the Onondaga County Public Library System. The Library is chartered by the New York State Education Department (NYSED) as a Free Association Library. As such, the Library is governed by representatives of the Association, which encompasses the community within its charter to serve area as determined by NYSED. The Library is free from governance or the authority of any municipality. Its purpose is to provide library services to the NYSED designated charter to serve area and the surrounding community. The Library is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization which is not a private foundation under Section 509(a) of the Internal Revenue Code.

##### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Effective July 1, 2017, the Library changed its fiscal year end from December 31<sup>st</sup> to June 30<sup>th</sup>. A six-month fiscal transition period from January 1, 2017 through June 30, 2017, precedes the start of the new fiscal-year cycle.

Net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets from revenues not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Library or the passage of time, or both. When a restriction expires or is otherwise met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “Net Assets Released from Restrictions.” The Library has no temporarily restricted net assets as of June 30, 2017.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Library. Generally, donors of these assets permit the Library to use all or part of the income earned on any related investments for general or specific purposes. The Library has no permanently restricted assets as of June 30, 2017.

Support and revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by donor-imposed or legal restrictions. Expenses are reported as decreases in unrestricted net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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#### 1. Organization and Significant Accounting Policies (continued)

##### **Cash and Cash Equivalents**

The Library considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

##### **Property and Equipment**

Property and equipment is recorded at cost if purchased, or if donated, fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. For the year ended June 30, 2017, the Library revised its useful lives to be consistent with generally accepted accounting practices which resulted in additional depreciation of \$329,643 recorded for the year ended June 30, 2017. This adjustment represented an oversight by a previous auditor dating back to 2005, as such resulted in these financial statements being adjusted for the change as a direct charge to net assets. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the Statement of Activities. The Library capitalizes all significant items purchased with a useful life greater than one year, and improvements that increase the useful life of existing property and equipment.

##### **Library Materials**

Library materials, including books, compact disks, digital video disks, and other materials are expensed as acquired.

##### **Capital Leases**

The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lesser of their related lease terms or their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

##### **Revenue Recognition**

The School District Library Proposition applies to a July 1 to June 30 fiscal year, and is received in October of each year. When received, Proposition revenue was deferred and revenue was recognized straight-line over the fiscal year that the Proposition relates to.

The Library records contributions as revenues when received. Contributions are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received.



## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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#### 1. Organization and Significant Accounting Policies (continued)

##### Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs benefited, based on management's estimates of time spent, occupancy, or usage. Costs specifically identified to a program are charged directly to that program.

##### Retirement Plans

The Library maintains a Section 403(b) deferred compensation retirement plan which covers all eligible employees. The Library contributes 2% of a participant's eligible wages per year to the plan. Retirement plan expense for the six-months ended June 30, 2017 was \$11,006.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

##### Income Taxes

The Library is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a) of the Code.

The Library evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of June 30, 2017, the Library does not believe it has taken any tax positions that would require the recording of any additional tax liability nor does it believe there are any unrealized tax benefits that would either increase or decrease within the next year.

The Library's information returns can be subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2017, tax years ending 2014 and after are subject to examination.

It is the Library's policy to recognize any interest and penalties as expenses in the year they are assessed.

**FAYETTEVILLE FREE LIBRARY**

**Notes to Financial Statements**

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**2. Mortgage Payable**

The Library has a mortgage note payable from M&T Bank, secured by the property located at 300 Orchard Street, Fayetteville, New York. The Library obtained a fixed monthly payment of \$6,757 and a balloon payment of \$363,273 due in October 2019, with interest at 5.1% per annum and maturing in October 2019. Future principal payments may be summarized as follows:

2018	\$ 56,874
2019	59,885
2020	<u>377,173</u>
	493,932
Less: current portion	<u>(56,874)</u>
	<u>\$ 437,058</u>

The building was purchased subject to the exclusive use, through an easement agreement, of the building's upper floor for a private furniture museum. The museum is not affiliated with the Library and is independently operated. No activities of the museum are reflected in these financial statements.

**3. Capital Lease Obligations**

The Library has equipment under a lease agreement that is considered to be a capital lease. The Library reviews each of its lease agreements to determine whether or not such leases are properly classified either as an operating or capital lease. The Library has one lease as of June 30, 2017 considered to be a capital lease. All other leases are considered to be operating leases.

The following is an analysis of the leased equipment as included within property and equipment:

<u>Description</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
HP 4300 Pro SFF	\$ 100,775	\$ 100,775
Computer equipment	92,651	92,651
Copier - model #363	<u>5,887</u>	<u>5,887</u>
	199,313	199,313
Less: accumulated depreciation	<u>(199,313)</u>	<u>(193,395)</u>
	<u>\$ -</u>	<u>\$ 5,918</u>

## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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#### 4. Operating Leases

The Library has entered into various lease agreements for equipment. The lease arrangements vary from 2 years to 5 years. Approximate future minimum lease payments are as follows:

Year ended June 30,	
2018	\$ 7,836
2019	5,989
2020	5,620
2021	1,439
2022	720
thereafter	-
Totals	<u>\$ 21,604</u>

#### 5. Property and Equipment

Property and equipment consisted of the following at:

	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Land	\$ 90,000	\$ 90,000
Building	797,522	797,522
Loan acquisition costs	13,117	13,117
Capitalized interest	31,839	31,839
Building improvements	1,990,792	1,900,498
Furniture & equipment	55,351	384,508
Furniture & equipment under capital leases	<u>100,775</u>	<u>100,775</u>
	3,079,396	3,318,259
Less: Accumulated depreciation and amortization	<u>(1,201,107)</u>	<u>(1,143,015)</u>
	<u>\$ 1,878,289</u>	<u>\$ 2,175,244</u>

## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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#### 6. Building Arrangement

**A) Purchase option:** The Library exercised its option to purchase (under a former lease arrangement) its building from Ace, Inc. (the former Fayetteville Stickley Factory) in 2002 for which a mortgage with a financing institution exists totaling \$493,932 as of June 30, 2017. The purchase agreement required the library to enter into an operation and easement agreement allowing the Ace, Inc. the perpetual right to the exclusive use and occupancy of the upper-most floor (the "reserved area") throughout the building to be solely used for (1) operation of a museum with storage and display of museum quality furniture; (2) sales incidental to said museum operation; (3) storage of furniture, artifacts and records related to said museum operation; and (4) private receptions and meetings and for no other purposes.

**B) Donation agreement:** The operation and easement agreement requires the Library to maintain and pay for all utilities and maintenance of the reserved area. In connection with the operation and easement agreement, a donation agreement was entered into between the Stickley Company and the Library in consideration of the additional expense the Library may incur in connection with the maintenance and utilities associated with the use and occupancy of the reserved area. No rental agreement was entered into by the Library and Stickley Company. In 2012 the Library and Stickley Company reached an agreement of an annual \$10,000 in kind contribution of furniture with no fund raiser requirement. The annual in kind contributions required by this donation agreement shall cease when Stickley Company or its successors shall no longer use and occupy the Reserved Area.

**C) Operating costs:** The library estimates the operating costs for the Reserved Area was approximately \$10,950 based on an allocation of six months of costs associated with the use of such Reserved Area. The Library has estimated that the fair value of potential rent for the Reserved Area at \$194,000 per year based on comparable properties in the Library's service area. The Library does not receive any rental income for the use of the Reserved Area.

#### 7. Concentrations

The Library receives a substantial amount of its support from appropriations voted upon in a local taxing district. Under New York State law, an annual appropriation shall be levied and collected yearly until a vote changes such appropriation. Total realized support from appropriations was \$895,292 for the year ended June 30, 2017.

**FAYETTEVILLE FREE LIBRARY**

**Notes to Financial Statements**

**8. Functional Expenses**

A summary of expenses by function for the six months ended June 30, 2017 with summarized, comparative information for the twelve months ended December 31, 2016 is as follows:

	Six months ended June 30, 2017			Twelve Months Ended December 31, 2016
	Program	Management and General	Total	Total
Payroll - librarians	\$ 225,955	\$ 87,871	\$ 313,826	\$ 644,101
Payroll - support staff	151,994	71,526	223,520	427,922
Payroll taxes	27,868	11,943	39,811	79,869
Other employee benefits	10,988	-	10,988	20,203
Retirement plan	7,154	3,852	11,006	17,385
Books and serials	43,667	-	43,667	110,525
Audio, video, and electronic me	27,230	-	27,230	74,198
Program supplies and expenses	31,341	-	31,341	49,573
Online computer and catalogue	15,895	-	15,895	21,389
Office expense	34,637	3,849	38,485	60,446
Utilities and telephone	21,357	2,373	23,730	42,858
Postage	561	62	623	1,007
Travel and conferences	5,888	-	5,888	23,018
Dues	900	-	900	755
Insurance	7,640	-	7,640	21,251
Building maintenance	15,007	-	15,007	55,663
Equipment maintenance	6,808	-	6,808	14,342
Depreciation	59,210	-	59,210	102,625
Legal and professional fees	3,632	6,745	10,377	6,922
Café 300	12,041	-	12,041	20,086
Other expenses	24,772	2,752	27,524	52,996
Interest expense	11,837	1,315	13,152	28,524
	<u>\$ 746,379</u>	<u>\$ 192,290</u>	<u>\$ 938,669</u>	<u>\$ 1,875,658</u>

## FAYETTEVILLE FREE LIBRARY

### Notes to Financial Statements

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**8. Functional Expenses (continued)**

The Library reports its expenses in three categories (1) program, (2) management and general and (3) fundraising. Program service expenses include direct and indirect costs related to the Library's programs and operations. Management and General relate to the overall direction of the Library and include expenses for activities such as business management and general recordkeeping. Fundraising expenses are costs that constitute an appeal for financial support, which would include costs to induce others to contribute money, time, and materials. Certain costs have been allocated among the different categories based on management's estimate of time spent, occupancy, or usage.

**9. Subsequent Events**

The Library has evaluated subsequent events through September 19, 2017, which is the date the financial statements were available to be issued.