



FAYETTEVILLE FREE LIBRARY

FINANCIAL STATEMENTS

June 30, 2019

FAYETTEVILLE FREE LIBRARY

June 30, 2019

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grossman st. amour

CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fayetteville Free Library
Fayetteville, New York

We have audited the accompanying financial statements of Fayetteville Free Library, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 Fayetteville Free Library as of June 30, 2019 and 2018, 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.

Grossman St Amour CPAs

Syracuse, New York

October 24, 2019

FAYETTEVILLE FREE LIBRARY

Statements of Financial Position

ASSETS

	June 30,	
	2019	2018
Current assets:		
Cash and cash equivalents	\$ 669,904	\$ 609,107
Accounts Receivable	25	347
Inventory	3,686	2,090
Prepaid and Other Assets	5,027	2,222
Total current assets	678,642	613,766
Property and equipment, net	1,724,012	1,869,205
	\$ 2,402,654	\$ 2,482,971

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 56,843	\$ 28,742
Current portion of mortgage note payable	63,310	50,180
Current portion of capital lease obligations	40,563	36,703
Accrued expenses	39,670	35,398
Total current liabilities	200,386	151,023
Long-term Liabilities:		
Capital lease obligation, net of current portion	43,186	71,677
Mortgage note payable, net of current portion	313,893	386,886
Total long-term liabilities	357,079	458,563
Total liabilities	557,465	609,586
Net assets:		
Net assets without donor restrictions	1,845,189	1,873,385
Total net assets	1,845,189	1,873,385
	\$ 2,402,654	\$ 2,482,971

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Activities

	For the year ended	
	2019	2018
Changes in net assets without donor restrictions:		
Revenue and support:		
Tax levies	\$ 1,824,396	\$ 1,790,584
Grant revenues	11,366	2,993
Contributions and sponsorship	25,902	32,804
Donated furniture and equipment	-	42,282
Library fines and fees	36,554	40,843
Investment income	12,452	721
Cafe revenue	51,554	45,483
Total revenue and support without donor restrictions	<u>1,962,224</u>	<u>1,955,710</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	5,000	-
Total net assets released from restrictions	<u>5,000</u>	<u>-</u>
Total revenues, and other support without donor restrictions	<u>1,967,224</u>	<u>1,955,710</u>
Expenses:		
Payroll - librarians	667,199	681,442
Payroll - support staff	458,985	468,865
Payroll taxes	84,080	86,419
Other employee benefits	52,501	58,684
Programs and materials	211,355	227,156
Information technology	75,591	97,354
Cafe expense	24,405	27,794
Building and grounds	207,176	145,087
Interest and professional fees	36,908	46,473
Administrative	19,300	60,416
Depreciation and amortization	157,920	138,226
Total expenses	<u>1,995,420</u>	<u>2,037,916</u>
Decrease in net assets without donor restrictions	<u>(28,196)</u>	<u>(82,206)</u>
Changes in net assets with donor restrictions:		
Contributions	5,000	-
Net assets released from restriction	<u>(5,000)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>
Decrease in total net assets	<u>(28,196)</u>	<u>(82,206)</u>
Net assets at beginning of year	<u>1,873,385</u>	<u>1,955,591</u>
Net assets at end of year	<u>\$ 1,845,189</u>	<u>\$ 1,873,385</u>

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Cash Flows

	For the Year Ended	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (28,196)	\$ (82,206)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	157,920	139,831
Changes in:		
Accounts receivable	322	(347)
Inventory	(1,596)	(932)
Prepaid expenses	(2,805)	(2,222)
Accounts payable, accrued expenses and other liabilities	32,373	(2,274)
Net cash provided by (used in) operating activities	158,018	51,850
Cash flows from investing activities:		
Purchase of property and equipment	(655)	(8,501)
Cash flows from financing activities:		
Principal payments on mortgage	(59,863)	(56,866)
Payments on capital leases	(36,703)	(13,866)
Net cash (used) by financing activities	(96,566)	(70,732)
Net increase (decrease) in cash	60,797	(27,383)
Cash and cash equivalents at beginning of year	609,107	636,490
Cash and cash equivalents at end of year	\$ 669,904	\$ 609,107
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 21,218	\$ 24,215
Assets Acquired Under Capital Leases	\$ 12,072	\$ 122,246

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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 the Association which encompasses the community within its charter to serve areas as determined by NYSED. The Library is free from governance or the authority of any village, town, county, or state body or organization. Its purpose is to provide library services to the Village of Fayetteville, New York and 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.

Classification of Net Assets

The net assets have been classified as without donor restriction or with donor restriction based on the existence and/or nature of any donor imposed restrictions. When the donor 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 donor restriction and reported in the statement of activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions and net assets without restriction.

Liquidity

As part of the Library's management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Library invests cash in excess of daily requirements whenever possible.

Availability of Resources

At June 30, 2019, the Library has \$669,929 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents and other current assets. None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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

New Accounting Pronouncement

For the year ended June 30, 2019, the Library adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Cash and Cash Equivalents

The Library considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents were \$654,094 and \$588,646, for the year ended June 30, 2019 and 2018, respectively.

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. 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 two years, and improvements that increase the useful life of existing property and equipment.

Programs and Materials

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

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

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.

The Library currently applies the accounting principles of ASC 840, Leases. ASC 840 was superseded by ASU No. 2016-02, Leases (Topic 842) and will become applicable to the Library for fiscal year beginning July 1, 2021. The Library will be required to recognize a right-of-use asset and a lease liability of outstanding capital leases in accordance with Topic 842.

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 is recognized on a straight-line over the fiscal year that the Proposition relates to. Voters approved the year ending June 30, 2020 proposition totaling \$1,859,060 on May 21, 2019.

The Library records contributions as revenues when received. Contributions are reported as net assets with donor restrictions 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.

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.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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

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 was \$24,847 and \$21,093, for the year ended June 30, 2019 and 2018, respectively.

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, 2019, 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, 2019, tax years ending December 31, 2016, June 30, 2017 and 2018 are subject to examination.

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

Reclassification

Certain account balances in the Statements of Activities have been reclassified to conform to the current year's reporting.

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Notes to Financial Statements

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 matures October 1, 2024, with a current interest at 5.1% per annum. M&T Bank has call options, each October 1st, whereby it can call the note payable prior to its maturity date. M&T Bank did not exercise its option to call the note on October 1, 2019. Future principal payments may be summarized as follows:

2020	63,310
2021	66,616
2022	70,094
2023	73,753
2024	77,604
thereafter	<u>25,826</u>
Less: current portion	<u>(63,310)</u>
	<u>\$ 313,893</u>

The building was purchased subject to the exclusive use, through an easement agreement, of the building's upper floor (the "Reserved Area") to operate the Stickley Museum, a private furniture museum. The Stickley Museum is not affiliated with the Library and is independently operated. No financial activities of the Stickley Museum are reflected in these financial statements, although the Stickley Company which operates the museum, has a donation agreement with the Library as further described in Note 5.

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 three leases as of June 30, 2019 considered capital leases.

The Library currently applies the accounting principles of ASC 840, Leases. ASC 840 was superseded by ASU No. 2016-02, Leases (Topic 842) and will become applicable to the Library for fiscal year beginning July 1, 2021. The Library will be required to recognize a right-of-use asset and a lease liability for operating leases in accordance with Topic 842.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

3. Capital Lease Obligations (continued)

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
HP Computers	\$ 104,261	\$ 104,261
Canon Copier	17,985	17,985
Canon Patron Copier	12,726	-
	<u>134,972</u>	<u>122,246</u>
Less: accumulated depreciation	<u>(38,987)</u>	<u>(14,481)</u>
	<u>\$ 95,985</u>	<u>\$ 107,765</u>

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</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	1,996,793	1,999,293
Furniture & equipment	11,017	55,351
Furniture & equipment under capital leases	<u>134,972</u>	<u>223,021</u>
	3,075,260	3,210,143
Less: Accumulated depreciation and amortization	<u>(1,351,248)</u>	<u>(1,340,938)</u>
	<u>\$ 1,724,012</u>	<u>\$ 1,869,205</u>

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Notes to Financial Statements

5. 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 \$377,203 as of June 30, 2019. 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 (which is being operated as the Stickley Museum, a private furniture museum). 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. The Library estimates the operating costs for the Reserved Area was approximately \$10,800 based on an allocation of costs associated with the use of such 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. The Stickley Company donated furniture and equipment totaling \$0 and \$42,282 for the year ended June 30, 2019 and 2018, respectively in accordance with the donation agreement.

6. 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 support from appropriations was \$1,824,396 and \$1,790,584 for the year ended June 30, 2019 and 2018, respectively. This represents approximately 93% and 92% of total support and revenues for the years ended June 30, 2019 and 2018, respectively.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

7. Functional Expenses

A summary of expenses by function for the year ended June 30, 2019 with summarized, comparative information for the year ended June 30, 2018 is as follows:

	Year Ended June 30, 2019			Year Ended June 30, 2018
	Program	Management and General	Total	Total
Payroll - librarians	\$ 480,383	\$ 186,816	\$ 667,199	\$ 681,442
Payroll - support staff	312,110	146,875	458,985	468,865
Payroll taxes	58,856	25,224	84,080	86,419
Other employee benefits	52,501	-	52,501	58,684
Programs and materials	211,355	-	211,355	227,156
Information technology	75,591	-	75,591	97,354
Cafe expense	24,405	-	24,405	27,794
Building and grounds	207,176	-	207,176	145,087
Interest and professional fees	12,918	23,990	36,908	46,473
Administrative	6,755	12,545	19,300	60,416
Depreciation and amortization	157,920	-	157,920	138,226
	<u>\$ 1,614,388</u>	<u>\$ 395,450</u>	<u>\$ 1,995,420</u>	<u>\$ 2,037,916</u>

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.

8. Subsequent Events

The Library has evaluated subsequent events through October 24, 2019, which is the date the financial statements were available to be issued for possible adjustment to the financial statements or disclosure. There were no subsequent events requiring disclosure.