



FAYETTEVILLE FREE LIBRARY

FINANCIAL STATEMENTS

December 31, 2016

FAYETTEVILLE FREE LIBRARY

December 31, 2016

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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 statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. 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 December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2015 financial statements were compiled by us and our report thereon, dated May 1, 2016, stated that we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.



Syracuse, New York
April 4, 2017

FAYETTEVILLE FREE LIBRARY

Statement of Financial Position

ASSETS

	December 31,	
	2016	2015
	(Audited)	(Unaudited)
Current assets:		
Cash and cash equivalents	\$ 1,594,274	\$ 1,773,638
Property and equipment, net	2,175,244	2,090,662
	\$ 3,769,518	\$ 3,864,300

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 55,431	\$ 9,200
Deferred revenue	895,292	843,187
Current portion of mortgage note payable	55,422	52,563
Current portion of capital lease obligations	5,918	34,701
Accrued expenses	25,944	126,130
Total current liabilities	1,038,007	1,065,781
Long-term Liabilities:		
Capital lease obligation, net of current portion	-	5,918
Mortgage note payable, net of current portion	465,899	521,316
Total long-term liabilities	465,899	527,234
Total liabilities	1,503,906	1,593,015
Net assets:		
Unrestricted		
Board-designated capital development fund	24,318	23,318
Other unrestricted net assets	2,241,294	2,247,967
Total unrestricted net assets	2,265,612	2,271,285
Total net assets	2,265,612	2,271,285
	\$ 3,769,518	\$ 3,864,300

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Activities and Changes in Net Assets

	Year Ended December 31,	
	2016 (Audited)	2015 (Unaudited)
Revenue and support:		
Tax levies	\$ 1,739,907	\$ 1,640,032
Grant revenues	2,992	3,139
Contributions and sponsorship	26,573	359,354
Donated furniture and equipment	13,938	-
Library fines and fees	52,829	42,399
Investment income	618	604
Cafe revenue	33,128	33,683
Total revenue and support	<u>1,869,985</u>	<u>2,079,211</u>
Expenses:		
Payroll - librarians	644,101	671,733
Payroll - support staff	427,922	340,529
Payroll taxes	79,869	75,463
Other employee benefits	20,203	23,680
Retirement Plan	17,385	14,419
Books and serials	110,525	92,847
Audio, video, and electronic media	74,198	86,999
Program supplies and expenses	49,573	26,289
Online computer and catalogue	21,389	14,910
Office expense	60,446	59,527
Utilities and telephone	42,858	64,579
Postage	1,007	1,247
Travel and conferences	23,018	33,996
Dues	755	1,272
Insurance	21,251	20,731
Building maintenance	55,663	32,046
Equipment maintenance	14,342	13,029
Depreciation and amortization	102,625	106,772
Legal and professional fees	6,922	10,400
Cafe expense	20,086	20,714
Other expenses	52,996	51,171
Interest expense	28,524	31,092
Total expenses	<u>1,875,658</u>	<u>1,793,445</u>
Change in net assets	(5,673)	285,766
Net assets at beginning of year	<u>2,271,285</u>	<u>1,985,519</u>
Net assets at end of year	<u>\$ 2,265,612</u>	<u>\$ 2,271,285</u>

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
	(Audited)	(Unaudited)
Cash flows from operating activities:		
Change in net assets	\$ (5,673)	\$ 285,766
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	102,625	106,772
Changes in:		
Inventory	-	603
Accounts payable, accrued expenses and other liabilities	(53,955)	72,162
Deferred revenue	52,105	46,813
Net cash provided by operating activities	95,102	512,116
Cash flows from investing activities:		
Purchase of property and equipment	(187,207)	-
Cash flows from financing activities:		
Principal payments on mortgage	(52,558)	(49,989)
Payments on capital leases	(34,701)	(33,353)
Net cash (used) by financing activities	(87,259)	(83,342)
Net (decrease) increase in cash	(179,364)	428,774
Cash and cash equivalents at beginning of year	1,773,638	1,344,864
Cash and cash equivalents at end of year	\$ 1,594,274	\$ 1,773,638
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 28,524	\$ 31,092

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.

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.

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 December 31, 2016.

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 December 31, 2016.

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.

Cash and Cash Equivalents

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

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

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 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 is deferred and revenue is 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.

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 for the years ended December 31, 2016 and 2015 was \$17,385 and \$14,419, 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 December 31, 2016, 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 December 31, 2016, tax years ending 2013 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

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:

2017	\$	55,422
2018		58,358
2019		407,541
		<u>521,321</u>
Less: current portion		<u>(55,422)</u>
	\$	<u>465,899</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 December 31, 2016 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>2016</u>	<u>2015</u>
HP 4300 Pro SFF	\$ 100,775	\$ 100,775
Computer equipment	92,651	92,651
Copier - model #363	5,887	5,887
	<u>199,313</u>	<u>199,313</u>
Less: accumulated depreciation	<u>(193,395)</u>	<u>(154,524)</u>
	<u>\$ 5,918</u>	<u>\$ 44,789</u>

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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 December 31,	
2017	\$ 7,836
2018	6,913
2019	5,620
2020	3,181
2021	1,319
thereafter	-
Totals	<u>\$ 24,869</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</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	1,900,498	1,713,291
Furniture & equipment	384,508	384,508
Furniture & equipment under capital leases	100,775	100,775
	<u>3,318,259</u>	<u>3,131,052</u>
Less: Accumulated depreciation and amortization	<u>(1,143,015)</u>	<u>(1,040,390)</u>
	<u>\$ 2,175,244</u>	<u>\$ 2,090,662</u>

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

6. Building Arrangement

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 \$521,321 as of December 31, 2016. 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. The operation and easement agreement requires the Library to maintain and pay for all utilities 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. Each year, the Stickley Company shall provide a venue for an annual fundraiser for the Library whereby the expectation that an auction of Stickley furniture would take place to generate at least a sum of \$10,000 to the Library. The Stickley Company is required to provide an in-kind donation of such furniture to meet the auction requirements. In lieu of hosting a fundraiser, Stickley Company can meet its obligation by either (1) donating cash in the amount of \$10,000 to the Library or (2) allowing the Library to select and receive delivery at no charge of pieces of furniture, manufactured by Stickley, having an aggregate value, after discount, of \$10,000. The two options are at the sole discretion of Stickley furniture. The annual charitable contributions required by this donation agreement shall cease when Stickley Company or its successors shall no longer use and occupy the Reserved Area. For year ended December 31, 2016, the Stickley Furniture Company met its obligation by donating furniture with a fair value of \$13,938. The library estimates the operating costs for the Reserved Area was approximately \$21,900 based on an allocation of costs associated with the use of such 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 support from appropriations was \$1,739,907 for the year ended December 31, 2016. This represents approximately 94% of total support and revenues for the year ended December 31, 2016. The Library is confident that the voters will continue to approve its requests for increases in funding, and will provide the Library with adequate resources to continue to maintain and improve its current programming.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

8. Functional Expenses

A summary of expenses by function for the year ended December 31, 2016 with summarized, comparative information for the year ended December 31, 2015 is as follows:

	2016			2015
	Program	Management and General	Total	Total
Payroll - librarians	\$ 463,753	\$ 180,348	\$ 644,101	\$ 671,733
Payroll - support staff	290,987	136,935	427,922	340,529
Payroll taxes	55,908	23,961	79,869	75,463
Other employee benefits	20,203	-	20,203	23,680
Retirement plan	11,300	6,085	17,385	14,419
Books and serials	110,525	-	110,525	92,847
Audio, video, and electronic media	74,198	-	74,198	86,999
Program supplies and expenses	49,573	-	49,573	26,289
Online computer and catalogue	21,389	-	21,389	14,910
Office expense	54,401	6,045	60,446	59,527
Utilities and telephone	38,572	4,286	42,858	64,579
Postage	906	101	1,007	1,247
Travel and conferences	23,018	-	23,018	33,996
Dues	755	-	755	1,272
Insurance	21,251	-	21,251	20,731
Building maintenance	55,663	-	55,663	32,046
Equipment maintenance	14,342	-	14,342	13,029
Depreciation	102,625	-	102,625	106,772
Legal and professional fees	2,423	4,499	6,922	10,400
Carnegie café	20,086	-	20,086	20,714
Other expenses	47,696	5,300	52,996	51,171
Interest expense	25,672	2,852	28,524	31,092
	<u>\$ 1,505,247</u>	<u>\$ 370,411</u>	<u>\$ 1,875,658</u>	<u>\$ 1,687,688</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.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

9. Subsequent Events

The Library has evaluated subsequent events through April 4, 2017, which is the date the financial statements were available to be issued.