



FAYETTEVILLE FREE LIBRARY

FINANCIAL STATEMENTS

June 30, 2018

FAYETTEVILLE FREE LIBRARY

June 30, 2018

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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 June 30, 2018, 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 June 30, 2018, 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 6-months ended June 30, 2017 financial statements were compiled by us and our report thereon, dated September 19, 2017, 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
September 6, 2018

FAYETTEVILLE FREE LIBRARY

Statements of Financial Position

ASSETS

	June 30,	
	2018	2017
	(Audited)	(Unaudited)
Current assets:		
Cash and cash equivalents	\$ 609,107	\$ 636,490
Accounts Receivable	347	-
Inventory	2,090	1,158
Prepaid and Other Assets	2,222	-
Total current assets	613,766	637,648
Property and equipment, net	1,869,205	1,878,289
	\$ 2,482,971	\$ 2,515,937

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 28,742	\$ 42,849
Current portion of mortgage note payable	60,123	56,874
Current portion of capital lease obligations	36,703	-
Accrued expenses	35,398	23,565
Total current liabilities	160,966	123,288
Long-term Liabilities:		
Capital lease obligation, net of current portion	71,677	-
Mortgage note payable, net of current portion	376,943	437,058
Total long-term liabilities	448,620	437,058
Total liabilities	609,586	560,346
Net assets:		
Unrestricted		
Board-designated capital development fund	-	8,500
Other unrestricted net assets	1,873,385	1,947,091
Total unrestricted net assets	1,873,385	1,955,591
Total net assets	1,873,385	1,955,591
	\$ 2,482,971	\$ 2,515,937

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Activities and Changes in Net Assets

	July 1, 2017 - June 30, 2018 (12 months) (Audited)	January 1, 2017 - June 30, 2017 (6 months) (Unaudited)
Revenue and support:		
Tax levies	\$ 1,790,584	\$ 895,292
Grant revenues	2,993	-
Contributions and sponsorship	32,804	15,320
Donated furniture and equipment	42,282	-
Library fines and fees	40,843	27,191
Investment income	721	319
Cafe revenue	45,483	20,169
Total revenue and support	<u>1,955,710</u>	<u>958,291</u>
Expenses:		
Payroll - librarians	681,442	313,826
Payroll - support staff	487,545	223,520
Payroll taxes	86,419	39,811
Other employee benefits	21,093	10,988
Retirement Plan	24,498	11,006
Books and serials	81,009	43,667
Audio, video, and electronic media	62,991	27,230
Program supplies and expenses	51,856	31,341
Online computer and catalogue	17,524	15,895
Office expense	81,969	38,485
Utilities and telephone	50,035	23,730
Postage	1,463	623
Travel and conferences	14,690	5,888
Dues	1,331	900
Insurance	21,727	7,640
Building maintenance	44,608	15,007
Equipment maintenance	12,862	6,808
Donated furniture and equipment	42,282	-
Depreciation and amortization	138,226	388,853
Legal and professional fees	29,056	10,377
Cafe expense	27,794	12,041
Other expenses	33,281	27,524
Interest expense	24,215	13,152
Total expenses	<u>2,037,916</u>	<u>1,268,312</u>
Change in net assets	(82,206)	(310,021)
Net assets at beginning of year	<u>1,955,591</u>	<u>2,265,612</u>
Net assets at end of year	\$ 1,873,385	\$ 1,955,591

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Cash Flows

	July 1, 2017 - June 30, 2018 (12 months) (Audited)	January 1, 2017 - June 30, 2017 (6 months) (Unaudited)
Cash flows from operating activities:		
Change in net assets	\$ (82,206)	\$ (310,021)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	139,831	388,853
Changes in:		
Accounts receivable	(347)	-
Inventory	(932)	(1,158)
Prepaid expenses	(2,222)	
Accounts payable, accrued expenses and other liabilities	(2,274)	(14,961)
Deferred revenue	-	(895,292)
Net cash provided by (used in) operating activities	51,850	(832,579)
Cash flows from investing activities:		
Purchase of property and equipment	(8,501)	(91,898)
Cash flows from financing activities:		
Principal payments on mortgage	(56,866)	(27,389)
Payments on capital leases	(13,866)	(5,918)
Net cash (used) by financing activities	(70,732)	(33,307)
Net (decrease) in cash	(27,383)	(957,784)
Cash and cash equivalents at beginning of year	636,490	1,594,274
Cash and cash equivalents at end of year	\$ 609,107	\$ 636,490
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 24,215	\$ 13,152
Assets Acquired Under Capital Leases	\$ 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.

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 January 1, 2017, the Library changed its fiscal year end from December 31st to June 30th. For purposes of the statements of activities and changes in net assets and the statements of cash flows, these financial statements present 12 months of activities and cash flows for the period July 1, 2017 through June 30, 2018 and 6 months of activities and cash flows for the period January 1, 2017 through June 30, 2017.

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, 2018.

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, 2018.

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

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

Basis of Presentation

Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities will become applicable to the Library for the year ended June 30, 2019. The Library's financial statements will be impacted upon the adoption primarily in the presentation of net asset classes, which will be reduced to only two net classes – net assets with donor restrictions and net assets without donor restrictions and in disclosures surrounding the liquidity and availability of resources to fund general expenditures. The Library upon adoption will provide both qualitative and quantitative information that will communicate the availability of the Library's financial assets at the financial position date to meet cash needs for general expenditures within one year of the financial position date. In addition, the Library will be required to present an enhanced analysis of expenses by functional classifications. This analysis must disaggregate the expense information by functional expense classifications, such as major classes of program services and supporting activities.

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. 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.

Library 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, 2020. 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.

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 12-months ended June 30, 2018 was \$24,498 and for the 6-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, 2018, 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, 2018, tax years ending December 31, 2015, December 31, 2016 and June 30, 2017 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:

2019	\$ 60,123
2020	<u>386,885</u>
	447,008
Less: current portion	<u>(60,123)</u>
	<u>\$ 386,885</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 6.

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 two leases as of June 30, 2018 considered capital leases. 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>2018</u>	<u>2017</u>
HP Printer	\$ 104,261	\$ -
Canon Copier	<u>17,985</u>	<u>-</u>
	122,246	-
Less: accumulated depreciation	<u>(14,481)</u>	<u>-</u>
	<u>\$ 107,765</u>	<u>\$ -</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 June 30,	
2019	\$ 5,989
2020	5,620
2021	1,439
2022	720
2023	-
thereafter	-
Totals	<u>\$ 13,768</u>

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, 2020. The Library will be required to recognize a right-of-use asset and a lease liability for operating leases in accordance with Topic 842.

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</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	1,999,293	1,990,792
Furniture & equipment	55,351	55,351
Furniture & equipment under capital leases	223,021	100,775
	<u>3,210,143</u>	<u>3,079,396</u>
Less: Accumulated depreciation and amortization	<u>(1,340,938)</u>	<u>(1,201,107)</u>
	<u>\$ 1,869,205</u>	<u>\$ 1,878,289</u>

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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 \$437,066 as of June 30, 2018. 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. 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 \$42,282 for the 12-months ended June 30, 2018 in accordance with the donation agreement.

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 \$1,790,584 for the 12-months ended June 30, 2018. This represents approximately 92% of total support and revenues for the 12-months ended June 30, 2018.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

8. Functional Expenses

A summary of expenses by function for the 12-months ended June 30, 2018 with summarized, comparative information for the 6-months ended June 30, 2017 is as follows:

	12-Months Ended June 30, 2018			6-Months Ended June 30, 2017
	Program	Management and General	Total	Total
	Payroll - librarians	\$ 490,638	\$ 190,804	\$ 681,442
Payroll - support staff	331,531	156,014	487,545	223,520
Payroll taxes	60,493	25,926	86,419	39,811
Other employee benefits	21,093	-	21,093	10,988
Retirement plan	15,924	8,574	24,498	11,006
Books and serials	81,009	-	81,009	43,667
Audio, video, and electronic media	62,991	-	62,991	27,230
Program supplies and expenses	51,856	-	51,856	31,341
Online computer and catalogue	17,524	-	17,524	15,895
Office expense	73,772	8,197	81,969	38,485
Utilities and telephone	45,032	5,004	50,035	23,730
Postage	1,317	146	1,463	623
Travel and conferences	14,690	-	14,690	5,888
Dues	1,331	-	1,331	900
Insurance	21,727	-	21,727	7,640
Building maintenance	44,608	-	44,608	15,007
Equipment maintenance	12,862	-	12,862	6,808
Donated furniture and equipment	42,282	-	42,282	-
Depreciation	138,226	-	138,226	388,853
Legal and professional fees	10,170	18,886	29,056	10,377
Café 300	27,794	-	27,794	12,041
Other expenses	29,953	3,328	33,281	27,524
Interest expense	21,794	2,422	24,215	13,152
	<u>\$ 1,614,388</u>	<u>\$ 419,301</u>	<u>\$ 2,037,916</u>	<u>\$ 1,268,312</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 September 6, 2018, 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.