



FINANCIAL STATEMENTS

June 30, 2020

FAYETTEVILLE FREE LIBRARY

June 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 Amant CPAs

Syracuse, New York

November 16, 2020

FAYETTEVILLE FREE LIBRARY

Statements of Financial Position

ASSETS

| | June 30, | |
|------------------------------------|--------------|--------------|
| | 2020 | 2019 |
| Current assets: | | |
| Cash and cash equivalents | \$ 695,221 | \$ 669,904 |
| Accounts Receivable | 84,249 | 25 |
| Inventory | 3,295 | 3,686 |
| Prepaid and Other Assets | 26,167 | 5,027 |
| Total current assets | 808,932 | 678,642 |
| Property and equipment, net | 1,557,418 | 1,724,012 |
| | \$ 2,366,350 | \$ 2,402,654 |

LIABILITIES AND NET ASSETS

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 78,348 | \$ 56,843 |
| Current portion of mortgage note payable | 26,954 | 63,310 |
| Current portion of capital lease obligations | 27,166 | 40,563 |
| Accrued expenses | 30,595 | 39,670 |
| Total current liabilities | 163,063 | 200,386 |
| Long-term Liabilities: | | |
| Capital lease obligation, net of current portion | 16,038 | 43,186 |
| Mortgage note payable, net of current portion | 296,356 | 313,893 |
| Total long-term liabilities | 312,394 | 357,079 |
| Total liabilities | 475,457 | 557,465 |
| Net assets: | | |
| Net assets without donor restrictions | 1,890,893 | 1,845,189 |
| Total net assets | 1,890,893 | 1,845,189 |
| | \$ 2,366,350 | \$ 2,402,654 |

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Activities

| | For the year ended June 30th, | |
|---|-------------------------------|---------------------|
| | 2020 | 2019 |
| Changes in net assets without donor restrictions: | | |
| Revenue and support: | | |
| Tax levies | \$ 1,859,060 | \$ 1,824,396 |
| Grant revenues | 3,034 | 11,366 |
| Contributions and sponsorship | 18,500 | 25,902 |
| Donated furniture and equipment | - | - |
| Library fines and fees | 28,066 | 36,554 |
| Investment income | 12,326 | 12,452 |
| Cafe revenue | 30,795 | 51,554 |
| Total revenue and support without donor restrictions | <u>1,951,781</u> | <u>1,962,224</u> |
| Net assets released from restrictions: | | |
| Satisfaction of program restrictions | - | 5,000 |
| Total net assets released from restrictions | <u>-</u> | <u>5,000</u> |
| Total revenues, and other support without donor restrictions | <u>1,951,781</u> | <u>1,967,224</u> |
| Expenses: | | |
| Payroll - librarians | 561,279 | 667,199 |
| Payroll - support staff | 415,712 | 458,985 |
| Payroll taxes | 76,060 | 84,080 |
| Other employee benefits | 54,684 | 52,501 |
| Programs and materials | 200,750 | 211,355 |
| Information technology | 65,291 | 75,591 |
| Cafe expense | 16,162 | 24,405 |
| Building and grounds | 288,264 | 207,176 |
| Interest and professional fees | 48,840 | 36,908 |
| Administrative | 12,442 | 19,300 |
| Depreciation and amortization | 166,593 | 157,920 |
| Total expenses | <u>1,906,077</u> | <u>1,995,420</u> |
| Increase (decrease) in net assets without donor restrictions | <u>45,704</u> | <u>(28,196)</u> |
| Changes in net assets with donor restrictions: | | |
| Contributions | - | 5,000 |
| Net assets released from restriction | <u>-</u> | <u>(5,000)</u> |
| Change in net assets with donor restrictions | <u>-</u> | <u>-</u> |
| Increase (decrease) in total net assets | <u>45,704</u> | <u>(28,196)</u> |
| Net assets at beginning of year | <u>1,845,189</u> | <u>1,873,385</u> |
| Net assets at end of year | <u>\$ 1,890,893</u> | <u>\$ 1,845,189</u> |

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Cash Flows

| | For the Year Ended June 30th, | |
|---|--------------------------------------|-------------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 45,704 | \$ (28,196) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 166,593 | 157,920 |
| Changes in: | | |
| Accounts receivable | (84,224) | 322 |
| Inventory | 391 | (1,596) |
| Prepaid expenses | (21,140) | (2,805) |
| Accounts payable, accrued expenses and other liabilities | 12,430 | 32,373 |
| Net cash provided by operating activities | 119,754 | 158,018 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (655) |
| Cash flows from financing activities: | | |
| Principal payments on mortgage | (53,893) | (59,863) |
| Payments on capital leases | (40,544) | (36,703) |
| Net cash (used) by financing activities | (94,437) | (96,566) |
| Net increase in cash | 25,317 | 60,797 |
| Cash and cash equivalents at beginning of year | 669,904 | 609,107 |
| Cash and cash equivalents at end of year | \$ 695,221 | \$ 669,904 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest | \$ 17,205 | \$ 21,218 |
| Assets Acquired Under Capital Leases | \$ - | \$ 12,072 |

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, 2020, the Library has \$779,470 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)

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 \$695,221 and 669,904, for the year ended June 30, 2020 and 2019, 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.

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, 2021 proposition totaling \$1,894,382 on May 21, 2020.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

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

Revenue Recognition (continued)

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.

The Library adopted FASB ASU 2014-09, Revenue from Contracts with Customers on July 1, 2018, using the modified retrospective method. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services in an amount that reflects the consideration to which the Library expects to be entitled to in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Library has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of consideration. Adopting the new standard did not have a material effect on the timing of the Library's revenue recognition for the years ended June 30, 2020 and 2019.

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 was \$16,882 and \$21,050, for the year ended June 30, 2020 and 2019, 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.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

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, 2020, 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, 2020, tax years ending December 31, 2017, June 30, 2018 and 2019 are subject to examination.

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

Credit Facility

The Library has an available non-revolving credit facility with M&T Bank of up to \$300,000 with an interest rate of 4.5%. Advances on the credit facility can be made until March 2021. There was no outstanding balance on the credit facility as of June 30, 2020.

Employee Retention Credit

The Employee Retention Credit under the CARES Act is a refundable tax credit equal to 50% of up to \$10,000 of qualifying wages paid by the Library. The credit was for business that were financially impacted by COVID-19. The Library recognized \$84,422 from the tax credit during fiscal year 2020 which is reflected as a reduction of employee payroll expenses in the statement of activities.

Reclassification

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

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 \$3,429 and matures March 1, 2030, with a current interest at 4.5% per annum. Future principal payments are summarized as follows:

| | |
|-----------------------|-------------------|
| 2021 | \$ 26,954 |
| 2022 | 28,210 |
| 2023 | 29,524 |
| 2024 | 30,872 |
| 2025 | 32,338 |
| thereafter | <u>175,411</u> |
| Less: current portion | <u>(26,954)</u> |
| | <u>\$ 296,356</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, 2020 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. Future minimum lease payments on these capital leases are:

| | |
|----------------|------------------|
| 2021 | \$ 28,943 |
| 2022 | 6,936 |
| 2023 | 6,936 |
| 2024 | 3,645 |
| 2025 | - |
| thereafter | <u>-</u> |
| Less: interest | <u>(3,256)</u> |
| | <u>\$ 43,204</u> |

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

4. Property and Equipment

Property and equipment consisted of the following at June 30:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| 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 | 1,996,793 |
| Furniture & equipment | - | 11,017 |
| Furniture & equipment under capital leases | 134,972 | 134,972 |
| | 3,064,243 | 3,075,260 |
| Less: Accumulated depreciation and amortization | (1,506,825) | (1,351,248) |
| | \$ 1,557,418 | \$ 1,724,012 |

The following is an analysis of the leased equipment, under capital leases, as included within property and equipment:

| Description | 2020 | 2019 |
|--------------------------------|------------------|------------------|
| HP Computers | \$ 104,261 | \$ 104,261 |
| Canon Copier | 17,985 | 17,985 |
| Canon Patron Copier | 12,726 | 12,726 |
| | 134,972 | 134,972 |
| Less: accumulated depreciation | (91,768) | (51,223) |
| | \$ 43,204 | \$ 83,749 |

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 \$323,310 as of June 30, 2020. 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.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

5. Building Arrangement (continued)

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 \$8,600 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 for the year ended June 30, 2020 and 2019, 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 \$1,859,060 and \$1,824,396 for the year ended June 30, 2020 and 2019, respectively. This represents approximately 95% and 93% of total support and revenues for the years ended June 30, 2020 and 2019, respectively.

7. Subsequent Events

The Library has evaluated subsequent events through November 16, 2020, which is the date the financial statements were available to be issued for possible adjustment to the financial statements or disclosure. In March 2020, the World Health Organization categorized Coronavirus Disease (COVID-19) as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The spread of this virus globally in 2020 has caused business disruption domestically in the United States, the area in which the Library operates. Most industries are experiencing disruption to business operations and there is unprecedented uncertainty surrounding the duration of this pandemic, the potential economic ramifications, and any government actions to mitigate them. The Library pursued relief through the Federal stimulus program (CARES Act) to lessen the financial burden of the crisis. While management expects this matter to negatively impact its financial condition, results of operations, and cash flows, the extent of the financial impact and duration cannot be reasonably estimated at this time.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

8. Functional Expenses

A summary of expenses by function for the year ended June 30, 2020 with summarized, comparative information for the year ended June 30, 2019 is as follows:

| | Year Ended June 30, 2020 | | | Year Ended June 30, 2019 |
|--------------------------------|--------------------------|---------------------------|--------------|--------------------------------|
| | Program | Management and General | Total | Total |
| | Payroll - librarians | \$ 404,121 | \$ 157,158 | \$ 561,279 |
| Payroll - support staff | 282,684 | 133,028 | 415,712 | \$ 458,985 |
| Payroll taxes | 53,242 | 22,818 | 76,060 | \$ 84,080 |
| Other employee benefits | 54,684 | - | 54,684 | \$ 52,501 |
| Programs and materials | 200,750 | - | 200,750 | \$ 211,355 |
| Information technology | 65,291 | - | 65,291 | \$ 75,591 |
| Cafe expense | 16,162 | - | 16,162 | \$ 24,405 |
| Building and grounds | 288,264 | - | 288,264 | \$ 207,176 |
| Interest and professional fees | 17,094 | 31,746 | 48,840 | \$ 36,908 |
| Administrative | 4,355 | 8,087 | 12,442 | \$ 19,300 |
| Depreciation and amortization | 166,593 | - | 166,593 | \$ 157,920 |
| | \$ 1,553,240 | \$ 352,837 | \$ 1,906,077 | \$ 1,995,420 |

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.