



FAYETTEVILLE FREE LIBRARY

FINANCIAL STATEMENTS

June 30, 2022

FAYETTEVILLE FREE LIBRARY

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fayetteville Free Library
Fayetteville, New York

Opinion

We have audited the financial statements of Fayetteville Free Library, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fayetteville Free Library as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fayetteville Free Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fayetteville Free Library's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fayetteville Free Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fayetteville Free Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Syracuse, New York
November 11, 2022

FAYETTEVILLE FREE LIBRARY

Statements of Financial Position

ASSETS

	June 30,	
	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,117,536	1,070,169
Accounts Receivable	110,872	110,872
Inventory	-	1,990
Prepaid and Other Assets	34,012	29,391
Total current assets	1,262,420	1,212,422
Property and equipment, net	1,304,050	1,444,758
	\$ 2,566,470	\$ 2,657,180

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 108,759	\$ 133,929
Current portion of mortgage note payable	55,177	52,721
Current portion of finance lease obligations	6,936	6,936
Accrued expenses	47,545	33,420
Deferred Revenue	5,400	-
Total current liabilities	223,817	227,006
Long-term Liabilities:		
Finance lease obligation, net of current portion	3,086	9,102
Mortgage note payable, net of current portion	482,680	537,857
Total long-term liabilities	485,766	546,959
Total liabilities	709,583	773,965
Net assets:		
Net assets without donor restrictions	1,656,887	1,683,215
Net assets without donor restrictions - board restricted	200,000	200,000
Total net assets	1,856,887	1,883,215
	\$ 2,566,470	\$ 2,657,180

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Activities

	For the year ended June 30th,	
	2022	2021
Changes in net assets without donor restrictions:		
Revenue and support:		
Tax levies	\$ 1,918,636	\$ 1,894,382
Grant revenues	2,956	2,955
Contributions and sponsorship	17,447	40,573
Donated furniture and equipment	-	4,104
Program fees and other	48,774	3,448
Investment income	1,832	2,957
Other revenue	-	705
Total revenue and support without donor restrictions	1,989,645	1,949,124
Expenses:		
Payroll - librarians	595,234	470,797
Payroll - support staff	498,410	392,584
Payroll taxes	77,047	78,385
Other employee benefits	66,250	59,043
Programs and materials	240,283	202,279
Information technology	95,645	74,143
Cafe expense	-	3,423
Building and grounds	232,806	466,277
Interest and professional fees	48,011	40,232
Administrative	21,579	18,282
Depreciation and amortization	140,708	151,357
Total expenses	2,015,973	1,956,802
(Decrease) in net assets without donor restrictions	(26,328)	(7,678)
Net assets at beginning of year	1,883,215	1,890,893
Net assets at end of year	\$ 1,856,887	\$ 1,883,215

The accompanying notes are an integral part of these financial statements

FAYETTEVILLE FREE LIBRARY

Statements of Cash Flows

	For the Year Ended June 30th,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (26,328)	\$ (7,678)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	140,708	151,357
Changes in:		
Accounts receivable	-	(26,623)
Inventory	1,990	1,305
Prepaid expenses	(4,621)	(3,224)
Accounts payable, accrued expenses and other liabilities	(5,645)	58,406
Net cash provided by operating activities	<u>106,104</u>	<u>173,543</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(38,697)
Cash flows from financing activities:		
Principal payments on mortgages	(28,210)	(26,954)
Proceeds from second mortgage	-	300,000
Principal payments on second mortgage	(24,511)	(5,778)
Payments on finance leases	(6,016)	(27,166)
Net cash provided (used) by financing activities	<u>(58,737)</u>	<u>240,102</u>
Net increase in cash	47,367	374,948
Cash and cash equivalents at beginning of year	<u>1,070,169</u>	<u>695,221</u>
Cash and cash equivalents at end of year	<u>\$ 1,117,536</u>	<u>\$ 1,070,169</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 25,855</u></u>	<u><u>\$ 17,772</u></u>

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, 2022, the Library has \$1,228,408 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.

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 \$200,000, for the year ended June 30, 2022 and 2021.

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 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.

Finance Leases

The library adopted Topic 842 pertaining to leases. The library's previous capital leases are accounted for as finance leases in accordance with Topic 842. The adoption of Topic 842 did not have a significant impact on the financial statements of the Library. The right of use assets are amortized over the lesser of their related lease terms or their estimated useful lives. Amortization of the right of use assets is included in depreciation expense.

Revenue Recognition

The Organization has adopted FASB ASU 2014-09, Revenue from Contracts with Customers. This ASU requires the recognition of revenue related to the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization's significant revenue streams are as follows:

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, 2023 proposition totaling \$1,959,331 on May 17, 2022.

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.

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 \$19,669 and \$17,799 for the year ended June 30, 2022 and 2021, 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, 2022, 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, 2022, tax years ending June 30, 2019, 2020 and 2021 are subject to examination.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Income Taxes (continued)

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

Employee Retention Credit

The Employee Retention Credit under the CARES Act is a refundable tax credit equal to 70% 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 \$238,687 from the tax credit during fiscal year 2021 which is reflected as a reduction of employee payroll expenses in the statement of activities.

2. Mortgage Payable

The Library has two mortgage note payables 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. Additionally, the Library obtained a fixed monthly payment of \$3,119 and matures March 1, 2031, with a current interest at 4.5% per annum. Future principal payments are summarized as follows:

2023	55,177
2024	57,691
2025	60,435
2026	63,251
2027	66,199
thereafter	<u>235,104</u>
Less: current portion	<u>55,177</u>
	<u>\$ 482,680</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. Finance Lease Liability

The Library has equipment under a lease agreement that is considered to be a finance type lease. The Library has two leases as of June 30, 2022 considered finance type leases.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

3. Finance Lease Liability (continued)

The Library used the implicit rate in the lease contracts to determine the present value of lease payments over the lease term. Future minimum lease payments on these finance type leases are:

	2023	6,936
	2024	3,645
	thereafter	-
Less: interest		<u>(559)</u>
		<u>\$ 10,022</u>

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Land	\$ 90,000	\$ 90,000
Building	797,522	797,522
Loan acquisition costs	-	-
Capitalized interest	-	-
Building improvements	2,035,489	2,035,489
Furniture & equipment under finance leases	<u>134,972</u>	<u>134,972</u>
	3,057,983	3,057,983
Less: Accumulated depreciation and amortization	<u>(1,753,933)</u>	<u>(1,613,225)</u>
	<u>\$ 1,304,050</u>	<u>\$ 1,444,758</u>

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

Description	2022	2021
HP Computers	\$ 104,261	\$ 104,261
Canon Copier	17,985	17,985
Canon Patron Copier	<u>12,726</u>	<u>12,726</u>
	134,972	134,972
Less: accumulated amortization	<u>(126,920)</u>	<u>(120,778)</u>
	<u>\$ 8,052</u>	<u>\$ 14,194</u>

FAYETTEVILLE FREE LIBRARY

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 two mortgages with a financing institution exists totaling \$537,857 as of June 30, 2022. 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 \$9,950 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 2002, the Library and Stickley Company reached an agreement of an annual \$10,000 in kind contribution of furniture with no fundraiser requirement for periods September 1, 2012 and thereafter. 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 \$4,104 for the year ended June 30, 2022 and 2021 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 \$1,918,636 and \$1,894,382 for the year ended June 30, 2022 and 2021, respectively. This represents approximately 96% and 97% of total support and revenues for the years ended June 30, 2022 and 2021, respectively.

7. Subsequent Events

The Organizations have evaluated subsequent events through November 11, 2022, which is the date the financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosures in the combined financial statements.

FAYETTEVILLE FREE LIBRARY

Notes to Financial Statements

8. Functional Expenses

A summary of expenses by function for the year ended June 30, 2022 with summarized, comparative information for the year ended June 30, 2021 is as follows:

	Year Ended June 30, 2022			Year Ended June 30, 2021
	Program	Management and General	Total	Total
Payroll - librarians	\$ 428,568	\$ 166,666	\$ 595,234	\$ 470,797
Payroll - support staff	338,919	159,491	498,410	\$ 392,584
Payroll taxes	53,933	23,114	77,047	\$ 78,385
Other employee benefits	66,250	-	66,250	\$ 59,043
Programs and materials	240,283	-	240,283	\$ 202,279
Information technology	95,645	-	95,645	\$ 74,143
Cafe expense	-	-	-	\$ 3,423
Building and grounds	232,806	-	232,806	\$ 466,277
Interest and professional fees	16,804	31,207	48,011	\$ 40,232
Administrative	7,553	14,026	21,579	\$ 18,282
Depreciation and amortization	140,708	-	140,708	\$ 151,357
	<u>\$ 1,621,469</u>	<u>\$ 394,504</u>	<u>\$ 2,015,973</u>	<u>\$ 1,956,802</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.