

NEW CITY LIBRARY

Financial Statements

June 30, 2016 and 2015

NEW CITY LIBRARY

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Independent Auditors' Report

Board of Trustees New City Library

We have audited the accompanying financial statements of New City Library (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets 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; these include 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.

Auditors' 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 auditors' 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 New City Library as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

November 3, 2016

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Statements of Financial Position

	June 30,	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,700,294	\$ 1,337,231
Grant receivable	109,634	93,488
Other receivables	-	122,850
Prepaid expenses	15,142	15,142
Total Current Assets	1,825,070	1,568,711
Property and Equipment, net	3,904,482	3,888,574
	\$ 5,729,552	\$ 5,457,285
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 88,070	\$ 120,845
Due to employees retirement system	89,887	103,297
Accrued compensated absences	261,005	320,530
Current portion of mortgage payable	206,000	194,000
Total Current Liabilities	644,962	738,672
Other Liabilities		
Long-term portion of mortgage payable	235,290	440,912
Total Liabilities	880,252	1,179,584
Net Assets		
Unrestricted - general	1,204,972	518,577
Unrestricted - designated for renovation fund	(250,864)	(17,026)
Unrestricted - non-spendable capital/equipment fund	3,463,192	3,253,662
Unrestricted - designated for working capital	432,000	429,000
Temporarily restricted - designated for renovation fund	-	93,488
Total Net Assets	4,849,300	4,277,701
	\$ 5,729,552	\$ 5,457,285

See Notes to Financial Statements

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Statement of Activities and Changes in Net Assets

	For the Year Ended June 30, 2016				
	Unrestricted		Subtotal	Temporarily Restricted	Total
	Operating Fund	Capital Fund			
REVENUES					
Real property taxes	\$ 5,055,933	\$ -	\$ 5,055,933	\$ -	\$ 5,055,933
Fines	48,063	-	48,063	-	48,063
Other income	18,803	-	18,803	-	18,803
Grants and donations	121,189	-	121,189	-	121,189
Investment income	929	326	1,255	-	1,255
Net assets released from restrictions	93,488	-	93,488	(93,488)	-
Total Revenues	<u>5,338,405</u>	<u>326</u>	<u>5,338,731</u>	<u>(93,488)</u>	<u>5,245,243</u>
EXPENSES					
Personnel costs	3,568,462	-	3,568,462	-	3,568,462
Library materials	361,839	-	361,839	-	361,839
Building operations and maintenance	215,849	-	215,849	-	215,849
General operations	276,912	-	276,912	-	276,912
Capital fund expenditures	-	250,582	250,582	-	250,582
Total Expenses	<u>4,423,062</u>	<u>250,582</u>	<u>4,673,644</u>	<u>-</u>	<u>4,673,644</u>
Transfers	(225,948)	225,948	-	-	-
Change in Net Assets	689,395	(24,308)	665,087	(93,488)	571,599
NET ASSETS					
Beginning	<u>947,577</u>	<u>3,236,636</u>	<u>4,184,213</u>	<u>93,488</u>	<u>4,277,701</u>
Ending	<u>\$ 1,636,972</u>	<u>\$ 3,212,328</u>	<u>\$ 4,849,300</u>	<u>\$ -</u>	<u>\$ 4,849,300</u>

See Notes to Financial Statements

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Statement of Activities and Changes in Net Assets

	For the Year Ended June 30, 2015				
	Unrestricted			Temporarily Restricted	Total
	Operating Fund	Capital Fund	Subtotal		
REVENUES					
Real property taxes	\$ 4,987,905	\$ -	\$ 4,987,905	\$ -	\$ 4,987,905
Fines	52,969	-	52,969	-	52,969
Other income	27,399	-	27,399	-	27,399
Grants and donations	13,989	-	13,989	93,488	107,477
Investment income	879	1,273	2,152	-	2,152
Total Revenues	<u>5,083,141</u>	<u>1,273</u>	<u>5,084,414</u>	<u>93,488</u>	<u>5,177,902</u>
EXPENSES					
Personnel costs	3,838,119	-	3,838,119	-	3,838,119
Library materials	340,364	-	340,364	-	340,364
Building operations and maintenance	243,436	-	243,436	-	243,436
General operations	319,748	-	319,748	-	319,748
Capital fund expenditures	-	245,197	245,197	-	245,197
Total Expenses	<u>4,741,667</u>	<u>245,197</u>	<u>4,986,864</u>	<u>-</u>	<u>4,986,864</u>
Transfers	(225,950)	225,950	-	-	-
Change in Net Assets	115,524	(17,974)	97,550	93,488	191,038
NET ASSETS					
Beginning	<u>832,053</u>	<u>3,254,610</u>	<u>4,086,663</u>	<u>-</u>	<u>4,086,663</u>
Ending	<u>\$ 947,577</u>	<u>\$ 3,236,636</u>	<u>\$ 4,184,213</u>	<u>\$ 93,488</u>	<u>\$ 4,277,701</u>

See Notes to Financial Statements

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Statements of Cash Flows

	For the Year Ended	
	June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 571,599	\$ 191,038
Adjustments to reconcile change in the net assets to cash flows from operating activities		
Depreciation	218,236	201,985
Change in operating assets and liabilities		
Grant receivable	(16,146)	(93,488)
Other receivables	122,850	(48,538)
Prepaid expenses	-	30,879
Accounts payable and accrued expenses	(32,775)	36,094
Due to employees retirement system	(13,410)	10,184
Accrued compensated absences	(59,525)	131,629
Net Cash From Operating Activities	790,829	459,783
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(234,144)	(435,368)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage payable	(193,622)	(182,744)
 CASH AND CASH EQUIVALENTS		
Beginning	363,063	(158,329)
Ending	1,337,231	1,495,560
	\$ 1,700,294	\$ 1,337,231
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	\$ 32,346	\$ 43,212

See Notes to Financial Statements

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Notes to Financial Statements
June 30, 2016 and 2015

1. Description of the Organization

Founded in 1936, New City Library (the Organization) is a not-for-profit organization that provides free public library services to the communities of New City, Congers and Bardonia, New York.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates. Some of the more significant estimates required to be made by management include estimating useful lives of property and equipment and accruing liabilities for certain expenses.

Cash and Cash Equivalents

Cash and cash equivalents are defined as actual currency, demand deposits and liquid investments with original maturities of three months or less.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in case of gifts. Expenditures for major additions and improvements are capitalized while minor repairs and maintenance are charged to expense as incurred. Depreciation is based on the estimated useful lives of depreciable assets and is provided using the straight-line method. When property is disposed of, the asset and the accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in operations in the period incurred.

Classes of Net Assets

The financial statements report amounts separately by class of net assets:

- a) Unrestricted amounts are those currently available at the discretion of the Board for use in the Organization's activities for both the Operating and Capital funds.
- b) Temporarily restricted amounts are those which are restricted by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed pursuant to those stipulations.
- c) Permanently restricted amounts are those which are restricted by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Board.

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Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Revenue Recognition

Real property taxes are recorded when received from the school district.

Contributions received are recorded as permanently restricted, temporarily restricted, or unrestricted revenue, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the contribution as unrestricted.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets that have been approved for expenditure are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

When necessary, certain costs are allocated among the programs and supporting services benefitted. For the years ended June 30, 2016 and 2015, no material shared expenses existed.

Tax-Exempt Status

The Organization is a not-for-profit institution exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provisions for income taxes have been provided in the accompanying financial statements.

The Organization follows U.S. GAAP guidance on Accounting for Uncertainty in Income Taxes. This topic provides guidance on the recognition, measurement, classification and disclosures related to uncertain tax positions, along with any interest and penalties. The Organization continually evaluates the possible existence of uncertain tax positions

The Organization recognizes interest relating to income tax matters as a component of interest expense and recognizes penalties relating to income tax matters as a component of general and administrative expenses. Such interest and penalties have historically been immaterial.

The federal and state tax returns of the Organization are subject to examination, generally for three years after they were filed.

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Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 3, 2016, the date the financial statements were available for issue. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. Concentration of Credit Risk

The Organization maintains cash balances in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. The Organization's bank balances may at times exceed insurable limits. Financial instruments that potentially subject the Organization to credit risk consist primarily of cash on deposit.

4. Collective Bargaining Agreement

The Organization has a collective bargaining agreement with the New City Library Staff Association / NYSUT which covers approximately 74% of its employees and expires of June 30, 2019.

5. Property and Equipment

Major classifications of property and equipment and their respective useful lives are:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$6,715,854	\$6,548,442	5 to 50 years
Equipment and furniture	843,137	776,405	5 to 25 years
Land	270,000	270,000	
Total	7,828,991	7,594,847	
Less: accumulated depreciation	<u>(3,924,509)</u>	<u>(3,706,273)</u>	
Property and equipment, net	<u>\$3,904,482</u>	<u>\$3,888,574</u>	

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$218,236 and \$201,985.

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Notes to Financial Statements
June 30, 2016 and 2015

6. Mortgage Payable

Mortgage payable consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Sterling National Bank		
Mortgage payable of \$3,400,000; Principal and interest payments of \$18,830 due monthly; Interest is payable at a rate of 5.85%	<u>\$ 441,290</u>	<u>\$ 634,912</u>
Less: current maturities	<u>(206,000)</u>	<u>(194,000)</u>
Long-term portion of mortgage payable	<u>\$ 235,290</u>	<u>\$ 440,912</u>

Mortgage payable is secured by a lien on the Library building. Interest expense for the years ended June 30, 2016 and 2015 totaled \$32,346 and \$43,212.

Annual maturities of mortgage payable for the years ending June 30 are as follows:

2017	\$ 206,000
2018	<u>235,290</u>
	<u>\$ 441,290</u>

7. Employee Retirement Plan

General Information

The Organization participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple employer, public employee retirement system. The ERS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The ERS issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to the New York State and Local Retirement System office in Albany, NY.

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Notes to Financial Statements
June 30, 2016 and 2015

7. Employee Retirement Plan (*continued*)

Funding Policies

The ERS is noncontributory except for employees who joined after July 1976, who contribute 3% of their salary. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Organization is required to contribute at an actuarially determined rate. The required and actual contributions for the current and two preceding years are as follows:

Year	ERS Contributions
2016	\$ 369,092
2015	410,840
2014	355,376

Since 1989, the Employees' Retirement Systems' billings have been based on Chapter 62 of the Laws 1989 of the State of New York. This legislation required participating employers to make payments in a current basis, while amortizing existing unpaid amounts related to the ERS' fiscal years ending March 31, 1988 and 1989, over a 17-year period, with a 8.75% interest factor added. Local governments were given the option to prepay this liability and the Organization had made the full payments in prior years.

8. Donated Services

A substantial number of volunteers have donated significant amounts of their time and perform a variety of tasks that assist the Organization. The Organization receives more than 2,400 volunteer hours per year. However, these volunteer hours are not recognized in the financial statements because they did not meet the criteria for recognition under U.S. GAAP, which states that in order to record the value of services, the services must either a) create or enhance non-financial assets or b) the service must require specialized skills.

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Notes to Financial Statements
June 30, 2016 and 2015

9. Commitments and Contingencies

The Organization has non-cancellable operating leases for office equipment which expire at various dates. Rent expense for the years ended June 30, 2016 and 2015 totaled \$20,705 and \$19,465.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30 are as follows:

2017	\$ 12,536
2018	5,217
2019	5,217
2020	<u>4,635</u>
	<u>\$ 27,605</u>

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Supplementary Information

June 30, 2016 and 2015

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Statement of Revenues, Expenses and Cash Disbursements (Budget and Actual) For the Years Ended June 30, 2016 and 2015

	2016 Budget	2016 Actual	Favorable (Unfavorable) Variance	2015 Actual
REVENUES				
Real property taxes	\$ 5,058,164	\$ 5,055,933	\$ (2,231)	\$ 4,987,905
Fines	51,960	48,063	(3,897)	52,969
Other income	14,953	18,803	3,850	27,399
Grants and donations	19,200	121,189	101,989	107,477
Investment income	-	1,255	1,255	2,152
Total Revenues	<u>\$ 5,144,277</u>	<u>\$ 5,245,243</u>	<u>\$ 100,966</u>	<u>\$ 5,177,902</u>
EXPENSES AND CASH DISBURSEMENTS				
Personnel costs				
Salaries	\$ 2,721,536	\$ 2,536,283	\$ 185,253	\$ 2,777,081
Hospitalization	540,000	455,579	84,421	419,137
N.Y.S. retirement	427,344	369,092	58,252	410,840
Social security	198,900	188,494	10,406	194,383
Worker's compensation	32,400	11,265	21,135	33,835
Dental insurance	7,440	5,401	2,039	6,299
Disability insurance	2,400	6,190	(3,790)	(3,456)
MTA tax	-	(4,467)	4,467	-
Educational reimbursement	2,400	625	1,775	-
Total personnel costs	<u>\$ 3,932,420</u>	<u>\$ 3,568,462</u>	<u>\$ 363,958</u>	<u>\$ 3,838,119</u>
Library materials				
Books and A.V. materials	\$ 282,884	\$ 278,834	\$ 4,050	\$ 245,640
Program fees	53,000	45,776	7,224	40,885
Furniture, fixtures and equipment	26,280	13,440	12,840	30,453
Periodicals and microfilm	27,000	23,789	3,211	23,386
Total library materials	<u>\$ 389,164</u>	<u>\$ 361,839</u>	<u>\$ 27,325</u>	<u>\$ 340,364</u>
Building operations and maintenance				
Utilities	\$ 150,000	\$ 106,938	\$ 43,062	\$ 119,993
Building services	37,876	49,985	(12,109)	54,295
Insurance	51,600	45,851	5,749	47,890
Maintenance supplies	13,680	8,732	4,948	13,823
Repairs	13,200	4,343	8,857	7,435
Total building operations and maintenance	<u>\$ 266,356</u>	<u>\$ 215,849</u>	<u>\$ 50,507</u>	<u>\$ 243,436</u>

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Statement of Revenues, Expenses and Cash Disbursements (Budget and Actual)
For the Years Ended June 30, 2016 and 2015

	<u>2016 Budget</u>	<u>2016 Actual</u>	Favorable (Unfavorable) Variance	<u>2015 Actual</u>
Expenses and Disbursements (continued)				
General operations				
Computerization	\$ 127,804	\$ 105,005	\$ 22,799	\$ 138,304
Contracted services	108,000	96,409	11,591	100,522
Supplies	30,000	27,767	2,233	24,818
Publicity and printing	15,240	17,004	(1,764)	14,573
Equipment and copier service	19,200	8,474	10,726	11,560
Staff development	6,385	3,716	2,669	7,803
Postage	9,600	4,586	5,014	7,097
Telephone	5,400	7,270	(1,870)	5,549
Voting expenses	4,920	-	4,920	4,338
Memberships and dues	1,200	4,495	(3,295)	2,705
Travel reimbursements	2,400	1,200	1,200	1,579
Other general expenses	-	986	(986)	900
Total general operations	<u>\$ 330,149</u>	<u>\$ 276,912</u>	<u>\$ 53,237</u>	<u>\$ 319,748</u>
Capital fund expenditures				
Depreciation	\$ -	\$ 218,236	\$ (218,236)	\$ 201,985
Mortgage interest	71,172	32,346	38,826	43,212
Total capital fund expenditures	<u>\$ 71,172</u>	<u>\$ 250,582</u>	<u>\$ (179,410)</u>	<u>\$ 245,197</u>
Other budgeted disbursements				
Principal payments on debt	\$ 154,776	\$ 193,622	\$ (38,846)	\$ 182,744
Property and equipment acquisitions	-	234,144	(234,144)	435,368
Total other budgeted disbursements	<u>\$ 154,776</u>	<u>\$ 427,766</u>	<u>\$ (272,990)</u>	<u>\$ 618,112</u>
Total Expenses and Cash Disbursements	<u>\$ 5,144,037</u>	<u>\$ 5,101,410</u>	<u>\$ 42,627</u>	<u>\$ 5,604,976</u>