

New City Library

Financial Statements and Supplementary Information

June 30, 2017 and 2016

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, 2017 and 2016 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, 2017 and 2016, 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 audits were 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 13, 2017

New City Library

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,163,580	\$ 1,700,294
Grant receivable	98,305	109,634
Prepaid expenses	19,627	15,142
Total Current Assets	2,281,512	1,825,070
Property and Equipment, net	3,926,661	3,904,482
	\$ 6,208,173	\$ 5,729,552
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 89,217	\$ 88,070
Due to employees retirement system	85,893	89,887
Accrued compensated absences	222,662	261,005
Current portion of mortgage payable	234,414	206,000
Total Current Liabilities	632,186	644,962
Other Liabilities		
Long-term portion of mortgage payable	-	235,290
Total Liabilities	632,186	880,252
Net Assets		
Unrestricted - general	1,442,140	954,108
Unrestricted - non-spendable capital/equipment fund	3,692,247	3,463,192
Unrestricted - designated for working capital	438,000	432,000
Temporarily restricted - designated for pavers	3,600	-
Total Net Assets	5,575,987	4,849,300
	\$ 6,208,173	\$ 5,729,552

New City Library

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2017				
	Unrestricted		Subtotal	Temporarily	
	Operating Fund	Capital Fund		Restricted	Total
REVENUES					
Real property taxes	\$ 5,095,089	\$ -	\$ 5,095,089	\$ -	\$ 5,095,089
Fines	43,029	-	43,029	-	43,029
Other income	28,278	-	28,278	-	28,278
Grants and donations	117,506	-	117,506	3,600	121,106
Investment income	1,371	116	1,487	-	1,487
Total Revenues	5,285,273	116	5,285,389	3,600	5,288,989
EXPENSES					
Personnel costs	3,413,987	-	3,413,987	-	3,413,987
Library materials	387,777	-	387,777	-	387,777
Building operations and maintenance	223,997	-	223,997	-	223,997
General operations	286,629	-	286,629	-	286,629
Capital fund expenditures	-	249,912	249,912	-	249,912
Total Expenses	4,312,390	249,912	4,562,302	-	4,562,302
Transfers	(478,851)	478,851	-	-	-
Change in Net Assets	494,032	229,055	723,087	3,600	726,687
NET ASSETS					
Beginning	1,386,108	3,463,192	4,849,300	-	4,849,300
Ending	\$ 1,880,140	\$ 3,692,247	\$ 5,572,387	\$ 3,600	\$ 5,575,987

New City Library

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2016				
	Operating Fund	Unrestricted Capital Fund	Subtotal	Temporarily Restricted	Total
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	(476,812)	476,812	-	-	-
Change in Net Assets	438,531	226,556	665,087	(93,488)	571,599
NET ASSETS					
Beginning	947,577	3,236,636	4,184,213	93,488	4,277,701
Ending	<u>\$ 1,386,108</u>	<u>\$ 3,463,192</u>	<u>\$ 4,849,300</u>	<u>\$ -</u>	<u>\$ 4,849,300</u>

New City Library

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 726,687	\$ 571,599
Adjustments to reconcile change in the net assets to cash flows from operating activities		
Depreciation	230,832	218,236
Change in operating assets and liabilities		
Grant receivable	11,329	(16,146)
Other receivables	-	122,850
Prepaid expenses	(4,485)	-
Accounts payable and accrued expenses	1,147	(32,775)
Due to employees retirement system	(3,994)	(13,410)
Accrued compensated absences	(38,343)	(59,525)
Net Cash From Operating Activities	923,173	790,829
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(253,011)	(234,144)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage payable	(206,876)	(193,622)
 Net Change in Cash and Cash Equivalents	463,286	363,063
 CASH AND CASH EQUIVALENTS		
Beginning	1,700,294	1,337,231
Ending	\$ 2,163,580	\$ 1,700,294
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest	\$ 19,080	\$ 32,346

New City Library

Notes to Financial Statements
June 30, 2017 and 2016

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.

New City Library

Notes to Financial Statements
June 30, 2017 and 2016

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

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.

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, 2017 and 2016, 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.

New City Library

Notes to Financial Statements
June 30, 2017 and 2016

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

Tax-Exempt Status (continued)

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.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 13, 2017, 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 71% of its employees and expires on June 30, 2019.

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Notes to Financial Statements
June 30, 2017 and 2016

5. Property and Equipment

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

	2017	2016	Estimated Useful Lives
Buildings and improvements	\$6,964,009	\$6,715,854	5 to 50 years
Equipment and furniture	847,993	843,137	5 to 25 years
Land	270,000	270,000	
Total	8,082,002	7,828,991	
Less: accumulated depreciation	(4,155,341)	(3,924,509)	
Property and equipment, net	\$3,926,661	\$3,904,482	

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$230,832 and \$218,236.

6. Mortgage Payable

Mortgage payable consists of the following at June 30:

	2017	2016
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%	\$ 234,414	\$ 441,290
Less: current maturities	(234,414)	(206,000)
Long-term portion of mortgage payable	\$ -	\$ 235,290

Mortgage payable is secured by a lien on the Library building. Interest expense for the years ended June 30, 2017 and 2016 totaled \$19,080 and \$32,346.

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Notes to Financial Statements
June 30, 2017 and 2016

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.

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:

	ERS	
<u>Year</u>	<u>Contributions</u>	
2017	\$	354,885
2016		369,092
2015		410,840

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.

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Notes to Financial Statements
June 30, 2017 and 2016

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.

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, 2017 and 2016 totaled \$10,315 and \$20,705.

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

2018	\$ 11,197
2019	9,369
2020	9,369
2021	4,839
2022	<u>1,557</u>
	<u>\$ 36,331</u>

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New City Library

Supplementary Information

June 30, 2017 and 2016

New City Library

Statements of Revenues, Expenses and Cash Disbursements (Budget and Actual)
Year Ended June 30, 2017 and 2016

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>Favorable (Unfavorable) Variance</u>	<u>2016 Actual</u>
REVENUES				
Real property taxes	\$ 5,095,089	\$ 5,095,089	\$ -	\$ 5,055,933
Fines	47,940	43,029	(4,911)	48,063
Other income	17,604	28,278	10,674	18,803
Grants and donations	12,240	121,106	108,866	121,189
Investment income	-	1,487	1,487	1,255
Total Revenues	<u>\$ 5,172,873</u>	<u>\$ 5,288,989</u>	<u>\$ 116,116</u>	<u>\$ 5,245,243</u>
EXPENSES AND CASH DISBURSEMENTS				
Personnel costs				
Salaries	\$ 2,620,489	\$ 2,394,304	\$ 226,185	\$ 2,536,283
Hospitalization	528,000	462,420	65,580	455,579
N.Y.S. retirement	432,636	354,885	77,751	369,092
Social security	203,076	179,188	23,888	188,494
Worker's compensation	30,000	20,933	9,067	11,265
Dental insurance	7,440	4,089	3,351	5,401
Disability insurance	7,206	5,569	1,637	6,190
MTA tax refund	-	(8,701)	8,701	(4,467)
Educational reimbursement	6,000	1,300	4,700	625
Total personnel costs	<u>\$ 3,834,847</u>	<u>\$ 3,413,987</u>	<u>\$ 420,860</u>	<u>\$ 3,568,462</u>
Library materials				
Books and A.V. materials	\$ 285,200	\$ 274,012	\$ 11,188	\$ 278,834
Program fees	58,440	57,930	510	45,776
Small equipment and fixtures	96,116	24,733	71,383	13,440
Periodicals and microfilm	27,000	31,102	(4,102)	23,789
Total library materials	<u>\$ 466,756</u>	<u>\$ 387,777</u>	<u>\$ 78,979</u>	<u>\$ 361,839</u>
Building operations and maintenance				
Utilities	\$ 144,000	\$ 93,664	\$ 50,336	\$ 106,938
Building services	51,480	42,003	9,477	49,985
Insurance	51,600	36,963	14,637	45,851
Maintenance supplies	9,600	18,241	(8,641)	8,732
Repairs	7,200	23,275	(16,075)	4,343
Water and sewer	-	9,851	(9,851)	-
Total building operations and maintenance	<u>\$ 263,880</u>	<u>\$ 223,997</u>	<u>\$ 39,883</u>	<u>\$ 215,849</u>

New City Library

Statements of Revenues, Expenses and Cash Disbursements (Budget and Actual)
Year Ended June 30, 2017 and 2016

	2017 Budget	2017 Actual	Favorable (Unfavorable) Variance	2016 Actual
EXPENSES AND DISBURSEMENTS (continued)				
General operations				
Computerization	\$ 127,800	\$ 95,482	\$ 32,318	\$ 105,005
Contracted services	108,000	87,850	20,150	96,409
Supplies	30,000	25,835	4,165	27,767
Appropriated fund balance	30,000	-	30,000	-
Publicity and printing	15,240	10,995	4,245	17,004
Equipment and copier service	12,000	18,135	(6,135)	8,474
Staff development	6,600	10,664	(4,064)	3,716
Postage	6,000	10,885	(4,885)	4,586
Telephone	7,800	8,593	(793)	7,270
Voting expenses	4,392	-	4,392	-
Memberships and dues	4,800	4,586	214	4,495
Travel reimbursements	2,400	2,538	(138)	1,200
Technology	24,000	1,813	22,187	-
Other general expenses	-	9,253	(9,253)	986
Total general operations	\$ 379,032	\$ 286,629	\$ 92,403	\$ 276,912
Capital fund expenditures				
Depreciation	\$ -	\$ 230,832	\$ (230,832)	\$ 218,236
Mortgage interest	30,529	19,080	11,449	32,346
Total capital fund expenditures	\$ 30,529	\$ 249,912	\$ (219,383)	\$ 250,582
Other budgeted disbursements				
Principal payments of mortgage payable	\$ 195,428	\$ 206,876	\$ (11,448)	\$ 193,622
Property and equipment acquisitions	-	253,011	(253,011)	234,144
Total other budgeted disbursements	\$ 195,428	\$ 459,887	\$ (264,459)	\$ 427,766
Total Expenses and Cash Disbursements	\$ 5,170,472	\$ 5,022,189	\$ 148,283	\$ 5,101,410