

# **New City Library**

Financial Statements and Supplementary Information

June 30, 2018 and 2017

## **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, 2018 and 2017 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; 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.

### **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, 2018 and 2017, 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. Except for the budgetary information on which we express no opinion, 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 28, 2018

**New City Library**

Statements of Financial Position

	June 30,	
	2018	2017
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,877,956	\$ 2,163,580
Grant receivable	-	98,305
Prepaid expenses	12,727	19,627
Total Current Assets	2,890,683	2,281,512
Property and Equipment, net	3,720,662	3,926,661
	\$ 6,611,345	\$ 6,208,173
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 87,131	\$ 89,217
Due to employees retirement system	80,998	85,893
Accrued compensated absences	143,218	222,662
Current portion of mortgage payable	-	234,414
Total Current Liabilities	311,347	632,186
Net Assets		
Unrestricted - general	2,578,485	1,880,140
Unrestricted - non-spendable capital/equipment fund	3,720,663	3,692,247
Temporarily restricted - designated for pavers	850	3,600
Total Net Assets	6,299,998	5,575,987
	\$ 6,611,345	\$ 6,208,173

**New City Library**

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2018				
	Unrestricted			Temporarily	
	Operating Fund	Capital Fund	Subtotal	Restricted	Total
<b>REVENUES</b>					
Real property taxes	\$ 5,196,991	\$ -	\$ 5,196,991	\$ -	\$ 5,196,991
Fines	33,711	-	33,711	-	33,711
Other income	21,436	-	21,436	-	21,436
Grants and donations	20,963	-	20,963	850	21,813
Investment income	2,802	409	3,211	-	3,211
Net assets released from restrictions	3,600	-	3,600	(3,600)	-
Total Revenues	<u>5,279,503</u>	<u>409</u>	<u>5,279,912</u>	<u>(2,750)</u>	<u>5,277,162</u>
<b>EXPENSES</b>					
Personnel costs	3,485,805	-	3,485,805	-	3,485,805
Library materials	351,852	-	351,852	-	351,852
Building operations and maintenance	190,297	-	190,297	-	190,297
General operations	283,391	-	283,391	-	283,391
Capital fund expenditures	-	241,806	241,806	-	241,806
Total Expenses	<u>4,311,345</u>	<u>241,806</u>	<u>4,553,151</u>	<u>-</u>	<u>4,553,151</u>
Transfers	(269,813)	269,813	-	-	-
Change in Net Assets	698,345	28,416	726,761	(2,750)	724,011
<b>NET ASSETS</b>					
Beginning	1,880,140	3,692,247	5,572,387	3,600	5,575,987
Ending	<u>\$ 2,578,485</u>	<u>\$ 3,720,663</u>	<u>\$ 6,299,148</u>	<u>\$ 850</u>	<u>\$ 6,299,998</u>

**New City Library**

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2017				
	Operating Fund	Unrestricted Capital Fund	Subtotal	Temporarily Restricted	Total
<b>REVENUES</b>					
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
<b>EXPENSES</b>					
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
<b>NET ASSETS</b>					
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**

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 724,011	\$ 726,687
Adjustments to reconcile change in the net assets to cash flows from operating activities		
Depreciation	233,185	230,832
Change in operating assets and liabilities		
Grant receivable	98,305	11,329
Prepaid expenses	6,900	(4,485)
Accounts payable and accrued expenses	(2,086)	1,147
Due to employees retirement system	(4,895)	(3,994)
Accrued compensated absences	(79,444)	(38,343)
Net Cash From Operating Activities	975,976	923,173
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(27,186)	(253,011)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage payable	(234,414)	(206,876)
Net Change in Cash and Cash Equivalents	714,376	463,286
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning	2,163,580	1,700,294
Ending	\$ 2,877,956	\$ 2,163,580
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest	\$ 8,621	\$ 19,080

## **New City Library**

Notes to Financial Statements  
June 30, 2018 and 2017

### **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, accruing liabilities for certain expenses and those used in the allocation of expenses based on functional classifications.

#### ***Cash and Cash Equivalents***

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

#### ***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, 2018 and 2017

### **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 tax revenues are recorded when received from the school district, which coincides with the tax levy year and the Organization's fiscal year.

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.

#### ***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 recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2015.

## New City Library

Notes to Financial Statements  
June 30, 2018 and 2017

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

#### ***Functional Expenses***

The majority of the expenses generally can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classification on the basis of square footage of office space or other bases as determined by management of the Organization to be appropriate.

#### ***Subsequent Events***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 28, 2018, the date the financial statements were available for issue.

### 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 86% of its employees and expires on June 30, 2019.

### 5. Property and Equipment

Major classifications of property and equipment and their respective useful lives at June 30 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	\$6,970,553	\$6,964,009	5 to 50 years
Equipment and furniture	868,635	847,993	5 to 25 years
Land	<u>270,000</u>	<u>270,000</u>	
Total	8,109,188	8,082,002	
Less: accumulated depreciation	<u>(4,388,526)</u>	<u>(4,155,341)</u>	
Property and equipment, net	<u>\$3,720,662</u>	<u>\$3,926,661</u>	

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$233,185 and \$230,832.

## New City Library

Notes to Financial Statements  
June 30, 2018 and 2017

### 6. Mortgage Payable

Mortgage payable consists of the following at June 30:

	<u>2017</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%	\$ 234,414

Mortgage payable is secured by a lien on the Library building. Interest expense for the years ended June 30, 2018 and 2017 totaled \$8,621 and \$19,080.

### 7. Employee Retirement Plan

#### ***General Information***

The Organization participates in the New York State and Local Employees' Retirement System (ERS) which 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.

## New City Library

Notes to Financial Statements  
June 30, 2018 and 2017

### 7. Employee Retirement Plan

#### *Funding Policies (continued)*

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
2018	\$ 337,813
2017	354,885
2016	369,092

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. Functional Expenses

The Organization's functional expenses are as follows:

	Year Ended June 30, 2018		
	Program Services	General and Administrative	Total
Expenses			
Personnel costs	\$ 2,091,483	\$ 1,394,322	\$ 3,485,805
Library materials	351,852	-	351,852
Building operations and maintenance	56,926	133,371	190,297
General operations	11,318	272,073	283,391
Capital fund expenditures	-	241,806	241,806
Total Expenses	\$ 2,511,579	\$ 2,041,572	\$ 4,553,151

	Year Ended June 30, 2017		
	Program Services	General and Administrative	Total
Expenses			
Personnel costs	\$ 2,048,392	\$ 1,365,595	\$ 3,413,987
Library materials	387,777	-	387,777
Building operations and maintenance	56,198	167,799	223,997
General operations	8,796	277,833	286,629
Capital fund expenditures	-	249,912	249,912
Total Expenses	\$ 2,501,163	\$ 2,061,139	\$ 4,562,302

## New City Library

Notes to Financial Statements  
June 30, 2018 and 2017

### 9. 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 1,100 volunteer hours per year. However, these volunteer hours were 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.

### 10. 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, 2018 and 2017 totaled \$11,883 and \$10,315.

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

2019	\$11,490
2020	11,490
2021	6,960
2022	3,289
2023	891
	<u>\$34,120</u>

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**New City Library**

Supplementary Information

June 30, 2018 and 2017

**New City Library**

Statements of Revenues, Expenses and Cash Disbursements (Budget and Actual)  
Year Ended June 30, 2018 and 2017

	2018 Budget	2018 Actual	Favorable (Unfavorable) Variance	2017 Actual
<b>REVENUES</b>				
Real property taxes	\$ 5,196,991	\$ 5,196,991	\$ -	\$ 5,095,089
Fines	42,600	33,711	(8,889)	43,029
Other income	12,600	21,436	8,836	28,278
Grants and donations	5,796	21,813	16,017	121,106
Investment income	-	3,211	3,211	1,487
Total Revenues	\$ 5,257,987	\$ 5,277,162	\$ 19,175	\$ 5,288,989
<b>EXPENSES AND CASH DISBURSEMENTS</b>				
Personnel costs				
Salaries	\$ 2,517,018	\$ 2,364,297	\$ 152,721	\$ 2,394,304
Hospitalization	499,414	579,664	(80,250)	462,420
N.Y.S. retirement	365,532	337,813	27,719	354,885
Social security	204,996	180,086	24,910	179,188
Worker's compensation	24,000	18,099	5,901	20,933
Dental insurance	7,440	2,454	4,986	4,089
Disability insurance	6,000	2,042	3,958	5,569
MTA tax refund	-	-	-	(8,701)
Educational reimbursement	6,000	1,350	4,650	1,300
Total personnel costs	\$ 3,630,400	\$ 3,485,805	\$ 144,595	\$ 3,413,987
Library materials				
Books and A.V. materials	\$ 276,912	\$ 257,646	\$ 19,266	\$ 274,012
Program fees	59,000	62,469	(3,469)	57,930
Small equipment and fixtures	346,499	10,543	335,956	24,733
Periodicals and microfilm	30,000	21,194	8,806	31,102
Total library materials	\$ 712,411	\$ 351,852	\$ 360,559	\$ 387,777
Building operations and maintenance				
Utilities	\$ 120,000	\$ 94,876	\$ 25,124	\$ 93,664
Building services	43,920	31,280	12,640	42,003
Insurance	45,600	43,672	1,928	36,963
Maintenance supplies	18,000	11,184	6,816	18,241
Repairs	24,000	2,664	21,336	23,275
Water and sewer	-	6,621	(6,621)	9,851
Total building operations and maintenance	\$ 251,520	\$ 190,297	\$ 61,223	\$ 223,997

**New City Library**

Statements of Revenues, Expenses and Cash Disbursements (Budget and Actual)  
Year Ended June 30, 2018 and 2017

	2018 Budget	2018 Actual	Favorable (Unfavorable) Variance	2017 Actual
<b>EXPENSES AND DISBURSEMENTS (continued)</b>				
General operations				
Computerization	\$ 96,000	\$ 93,858	\$ 2,142	\$ 95,482
Contracted services	108,000	95,468	12,532	87,850
Supplies	26,400	35,075	(8,675)	25,835
Appropriated fund balance	120,000	-	120,000	-
Publicity and printing	12,000	14,147	(2,147)	10,995
Equipment and copier service	6,000	12,550	(6,550)	18,135
Staff development	8,400	2,282	6,118	10,664
Postage	12,000	13,882	(1,882)	10,885
Telephone	11,400	5,119	6,281	8,593
Voting expenses	4,440	4,275	165	7,977
Memberships and dues	4,800	4,313	487	4,586
Travel reimbursements	2,640	1,487	1,153	2,538
Technology	24,000	-	24,000	1,813
Other general expenses	1,619	935	684	1,276
Total general operations	\$ 437,699	\$ 283,391	\$ 154,308	\$ 286,629
Capital fund expenditures				
Depreciation	\$ -	233,185	\$ (233,185)	\$ 230,832
Mortgage interest	30,529	8,621	21,908	19,080
Total capital fund expenditures	\$ 30,529	\$ 241,806	\$ (211,277)	\$ 249,912
Other budgeted disbursements				
Principal payments of mortgage payable	\$ 195,428	\$ 234,414	\$ (38,986)	\$ 206,876
Property and equipment acquisitions	-	27,186	(27,186)	253,011
Total other budgeted disbursements	\$ 195,428	\$ 261,600	\$ (66,172)	\$ 459,887
<b>Total Expenses and Cash Disbursements</b>	<b>\$ 5,257,987</b>	<b>\$ 4,814,751</b>	<b>\$ 443,236</b>	<b>\$ 5,022,189</b>