

**COMMUNITY LIBRARY OF
DEWITT & JAMESVILLE**

**REPORT ON
AUDITED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2018 and 2017

Community Library of DeWitt & Jamesville

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Community Library of DeWitt & Jamesville
DeWitt, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of Community Library of DeWitt & Jamesville (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses, 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.

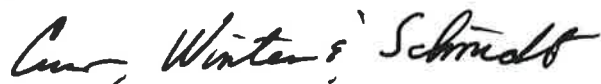
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Library of DeWitt & Jamesville as of December 31, 2018 and 2017, and the results of its activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5, the Library adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.



East Syracuse, New York
February 26, 2019

Community Library of DeWitt & Jamesville
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,008,685	\$ 1,025,796
Marketable securities	-	3,210
Grants receivable - current	143,994	406,748
Pledges receivable - current	4,420	13,803
Prepaid expenses	<u>17,351</u>	<u>15,937</u>
Total current assets	<u>1,174,450</u>	<u>1,465,494</u>
Property and Equipment, net:		
Property and equipment (less accumulated depreciation of \$414,496-2018, \$140,403-2017)	<u>7,612,911</u>	<u>7,877,131</u>
Total property and equipment	<u>7,612,911</u>	<u>7,877,131</u>
Other assets:		
Board designated and restricted activity money market account	448,749	573,862
Grants receivable - noncurrent	125,000	250,000
Pledges receivable - noncurrent	<u>-</u>	<u>1,000</u>
Total other assets	<u>573,749</u>	<u>824,862</u>
Total assets	<u>\$ 9,361,110</u>	<u>\$ 10,167,487</u>
Liabilities and Net Assets		
Current Liabilities:		
Construction loan - current portion	\$ 84,367	\$ 23,654
Accounts payable and accrued expense	80,755	724,047
Accrued payroll	16,354	13,024
Accrued benefits payable	<u>18,545</u>	<u>22,664</u>
Total current liabilities	<u>200,021</u>	<u>783,389</u>
Long-term Liabilities:		
Construction loan - net of current portion	<u>3,574,364</u>	<u>3,657,920</u>
Total long-term liabilities	<u>3,574,364</u>	<u>3,657,920</u>
Total liabilities	<u>3,774,385</u>	<u>4,441,309</u>
Net Assets:		
With donor restrictions:		
Capital campaign	<u>273,414</u>	<u>674,761</u>
Without donor restrictions:		
Board designated for building expenditures	448,749	573,862
Undesignated	<u>4,864,562</u>	<u>4,477,555</u>
Total without donor restrictions	<u>5,313,311</u>	<u>5,051,417</u>
Total net assets	<u>5,586,725</u>	<u>5,726,178</u>
Total liabilities and net assets	<u>\$ 9,361,110</u>	<u>\$ 10,167,487</u>

The accompanying notes are an integral part of these financial statements.

Community Library of DeWitt & Jamesville
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Restrictions</u>	<u>Restrictions</u>
	Total	Total	Total	Total
Revenues, gains and other support:				
Public tax levy	\$ 1,417,672	\$ -	\$ 1,417,672	\$ -
Other gifts and grants	33,199	-	33,199	9,562
New York State grants	-	3,847	3,847	567,473
Capital campaign - private gifts and grants	-	2,526	2,526	556,323
Interest income	2,835	-	2,835	-
Fundraising income less expenses of \$1,383	9,402	-	9,402	-
Other income	221,782	-	221,782	23,235
Net assets released from restrictions satisfaction of time and purpose	407,720	(407,720)	-	(492,026)
Total revenues, gains, and other support	<u>2,092,610</u>	<u>(401,347)</u>	<u>1,691,263</u>	<u>631,770</u>
Expenses and losses:				
Program expense	1,478,799	1,478,799	1,047,991	1,047,991
Management and administrative	327,942	-	212,385	-
Fund raising	23,975	-	21,266	-
Total expenses and losses	<u>1,830,716</u>	<u>-</u>	<u>1,281,642</u>	<u>-</u>
(Decrease) increase in net assets	261,894	(401,347)	(139,453)	631,770
Net assets - beginning of year	5,051,417	674,761	5,726,178	42,991
Net assets - end of year	<u>\$ 5,313,311</u>	<u>\$ 273,414</u>	<u>\$ 5,586,725</u>	<u>\$ 674,761</u>
			\$ 5,051,417	\$ 5,726,178

The accompanying notes are an integral part of these financial statements.

Community Library of DeWitt & Jamesville
Statement of Functional Expenses
For the Year Ended December 31, 2018

<u>SUPPORT SERVICES</u>					2017
	<u>Program Services</u>	<u>Management & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total</u>
Payroll					
Librarians	\$ 267,150	\$ 97,830	\$ 11,288	\$ 376,268	\$ 323,060
Support staff	249,873	28,721	8,616	287,210	269,196
Payroll service	-	1,924	-	1,924	1,831
FICA	38,218	9,310	1,470	48,998	43,377
Health insurance	18,979	5,899	769	25,647	28,952
Retirement	22,160	5,756	863	28,779	25,989
Insurance	18,387	4,316	698	23,401	16,390
Telephone	5,278	1,238	201	6,717	5,890
Utilities	27,092	6,359	-	33,451	35,877
Rent	-	-	-	-	40,847
Custodial	44,440	10,430	-	54,870	43,418
Postage	1,811	425	70	2,306	993
Supplies	11,997	2,815	-	14,812	15,589
Collection agency fees	-	448	-	448	626
Books	68,160	-	-	68,160	61,468
Electronic resources	33,870	-	-	33,870	30,962
Periodicals	7,784	-	-	7,784	4,732
Audios and CDs	16,329	-	-	16,329	12,279
Videos and DVDs	30,586	-	-	30,586	31,787
Kits and nontraditional	5,410	-	-	5,410	3,237
Library system	28,596	-	-	28,596	28,036
Programming	16,063	-	-	16,063	9,701
Continuing education	4,511	-	-	4,511	2,937
Miscellaneous	2,150	504	-	2,654	3,800
Public relations	4,004	-	-	4,004	3,505
Repairs and maintenance	201,275	47,244	-	248,519	25,560
Computer and support	7,981	1,874	-	9,855	6,879
Bank charges	-	100	-	100	20
Audit fee	-	11,000	-	11,000	11,000
Consulting fees	-	10,395	-	10,395	-
Interest expense	117,923	27,662	-	145,585	50,046
Moving expense	-	-	-	-	22,400
Expenses before depreciation and loss on disposition of assets	1,250,027	274,250	23,975	1,548,252	1,160,384
Depreciation and amortization	228,772	53,692	-	282,464	106,390
Loss on disposition of fixed assets	-	-	-	-	14,868
Total	\$ 1,478,799	\$ 327,942	\$ 23,975	\$ 1,830,716	\$ 1,281,642

The accompanying notes are an integral part of the these financial statements.

Community Library of DeWitt & Jamesville
Statement of Functional Expenses
For the Year Ended December 31, 2017

SUPPORT SERVICES

	<u>Program Services</u>	<u>Management & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Payroll				
Librarians	\$ 230,965	\$ 83,068	\$ 9,027	\$ 323,060
Support staff	234,396	26,151	8,649	269,196
Payroll service	-	1,831	-	1,831
FICA	33,793	8,233	1,351	43,377
Health insurance	21,345	6,727	880	28,952
Retirement	20,134	5,191	664	25,989
Insurance	12,878	3,023	489	16,390
Telephone	4,628	1,086	176	5,890
Utilities	29,057	6,820	-	35,877
Rent	33,083	7,764	-	40,847
Custodial	35,165	8,253	-	43,418
Postage	780	183	30	993
Supplies	12,626	2,963	-	15,589
Collection agency fees	-	626	-	626
Books	61,468	-	-	61,468
Electronic resources	30,962	-	-	30,962
Periodicals	4,732	-	-	4,732
Audios and CDs	12,279	-	-	12,279
Videos and DVDs	31,787	-	-	31,787
Kits and nontraditional	3,237	-	-	3,237
Library system	28,036	-	-	28,036
Programming	9,701	-	-	9,701
Continuing education	2,937	-	-	2,937
Miscellaneous	3,078	722	-	3,800
Public relations	3,505	-	-	3,505
Repairs and maintenance	20,701	4,859	-	25,560
Computer and support	5,571	1,308	-	6,879
Bank charges	-	20	-	20
Audit fee	-	11,000	-	11,000
Consulting fees	-	-	-	-
Legal fees	-	-	-	-
Interest expense	40,537	9,509	-	50,046
Moving expense	22,400	-	-	22,400
Expenses before depreciation and loss on disposition of assets	949,781	189,337	21,266	1,160,384
Depreciation	86,167	20,223	-	106,390
Loss on disposition of fixed assets	12,043	2,825	-	14,868
Total	<u>\$ 1,047,991</u>	<u>\$ 212,385</u>	<u>\$ 21,266</u>	<u>\$ 1,281,642</u>

The accompanying notes are an integral part of these financial statements.

Community Library of DeWitt & Jamesville
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:		
Change in total in net assets	\$ (139,453)	\$ 1,294,629
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	282,464	106,390
Loss on disposition of assets	-	14,868
Decrease (increase) in operating assets		
Marketable securities	3,210	(3,210)
Grants receivable	387,754	(656,748)
Pledges receivable	10,383	28,188
Prepaid expenses	(1,414)	(6,529)
(Decrease) increase in operating liabilities		
Accounts payable and accrued expense	(643,292)	201,327
Accrued payroll	3,330	2,920
Accrued benefits payable	(4,119)	2,531
Net cash (used in) provided by operating activities	<u>(101,137)</u>	<u>984,366</u>
Cash flows from investing activities:		
Acquisition of property and improvements	(9,872)	(5,493,883)
Proceeds from disposition of assets	-	740
Net cash used in investing activities	<u>(9,872)</u>	<u>(5,493,143)</u>
Cash flows from financing activities:		
Payments on long term debt	(74,190)	-
Proceeds from construction loan	42,975	3,681,574
Net cash (used in) provided by financing activities	<u>(31,215)</u>	<u>3,681,574</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(142,224)	(827,203)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,599,658</u>	<u>2,426,861</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,457,434</u>	<u>\$ 1,599,658</u>
Supplemental disclosures of cash flows:		
Cash paid during the year for:		
Interest	<u>\$ 145,585</u>	<u>\$ 50,046</u>

The accompanying notes are an integral part of the these financial statements.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 1 – Nature of Operations

The Community Library of DeWitt & Jamesville (formerly the DeWitt Community Library Association, Inc.) is a nonprofit organization, chartered by the State of New York as a free association library and is a member library of the Onondaga County Public Library System whose purpose is to provide quality library service to the communities of DeWitt, Jamesville and the surrounding Central New York area. In August 2017, the Library moved from its longstanding mall location where it had been a tenant for over 50 years and into a new 23,700 square foot building. The library's charter, issued by the NYS Board of Regents and on behalf of the New York State Education Department, was amended on June 12, 2018, to officially change the name of the library to "Community Library of DeWitt & Jamesville."

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Library have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendation of FASB ASC 958-205-05-6 *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-05-6, the Library is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Library is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Library uses the indirect method of reporting net cash flows from operating activities and considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Library Collections

Library books, periodicals, and other library materials are charged to operations in the year in which they are acquired.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Marketable Securities

The Library has investments in marketable securities with readily determinable fair values that were received as donations. These investments are considered to be trading securities because of management's intent to convert the securities to cash to fund the Capital Campaign. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Fair Value Measurement

Accounting guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs

The respective carrying value of certain financial instruments approximated their fair value. These instruments include cash and cash equivalents, accounts receivable, marketable securities, accounts payable, accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature or the interest rates earned or paid approximate current market rates.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. It is the Library's policy to capitalize all property and equipment with a useful life of more than one year. Depreciation is provided using the straight-line method based on the estimated useful lives, as follows:

	Years
Land and land improvements	0 – 15
Building and improvements	15-40
Equipment and furnishings	5 - 10

Depreciation expense of \$274,093 and \$106,390 has been recorded for 2018 and 2017, respectively.

Donor Restricted Activity

Restricted Activity – Currently the Library has net assets with donor restrictions due to gifts and grants that have yet to be received.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Donor Restricted Activity (continued)

A capital campaign “for a New Library for Jamesville and DeWitt” raised \$119,760 of donor pledges in 2016, of which \$42,991 remained uncollected at December 31, 2016. To that was added \$56,323 of 2017 pledges, with \$14,803 of total pledges remaining at December 31, 2017. An additional \$1,000 was added to the campaign as a matching gift in 2018. The total pledges remaining at December 31, 2018 is \$4,420.

In 2017, the Library had two grants approved by New York State agencies associated with the building project for the new Library. One State and Municipal Facilities Program (SAM) grant for \$250,000 was approved in 2017 and received from the Dormitory Authority of NYS in January 2018. A Public Library Construction grant was awarded for \$317,473 toward HVAC equipment related to the new building. The Library received 90% of this grant in 2017 and the remainder of \$31,748 was received in November of 2018.

The Library was also awarded a capital campaign related foundation grant of \$500,000, payable in four annual installments of \$125,000 commencing February 2017. The Library received the second installment in 2018. The remaining \$250,000 is carried in net assets with donor restrictions until the funds are received.

Money Market Account for Board Designated Purposes and Restricted Activity

The Library ended 2018 and 2017 with a balance of \$448,749 and \$573,862, respectively in a board designated fund for the Library building expansion. Such funds that are called Board Designated are not legally restricted but are internally intended for designated purposes. The annual budget process has a portion of taxpayer levy receipts set aside for building related expenditures. The Board periodically votes to release earnings from these funds for operations but otherwise the earnings remain with the designated funds. The funds have been substantially released as the building project has been completed and final retention payments were made in 2018.

The activity of the money market account that holds restricted and board designated funds for the years ended December 31, follows:

	<u>2018</u>	<u>2017</u>
January 1 investments	\$ 573,862	\$ 1,628,046
Board Designated activity, January 1	\$ 573,862	\$ 1,628,046
Budgeted allocation	7,354	136,000
Board approved expenditures	(134,947)	(1,192,190)
Net earnings retained	2,480	2,006
Board Designated, December 31	<u>448,749</u>	<u>573,862</u>
Restricted activity, January 1	674,761	42,991
SAM grant	-	250,000
HVAC grant	-	317,473
Donations and pledges for building	6,373	556,323
Portion of restricted funds fully expended	(407,720)	(492,026)
Restricted grants and pledges not yet received	<u>(273,414)</u>	<u>(674,761)</u>
Total investments, December 31	<u>\$ 448,749</u>	<u>\$ 573,862</u>

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of Revenue

The Library's principal source of funding is through a tax levy on residents in the Library's service area and other residents paying tax to the Jamesville- DeWitt School District. The tax is collected by the Jamesville- DeWitt School District on behalf of the library in accordance with section 259 of the New York State Education Law.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications do not affect the changes in net assets for the years ended December 31, 2018 and 2017.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include employee salaries and benefits and other administrative expenses such as system-wide automation services, insurances, depreciation and facility maintenance costs. Employee benefits were allocated based on payroll paid and employee census in the functional areas and the administrative expenses were allocated based on estimates of program usage.

Donated Services

The Library receives donated services from unpaid volunteers who assist with Library routine functions. No amounts have been recognized in the statement of activities since the criteria for recognition under FASB ASC 958-605 have not been satisfied. However, volunteers provided approximately 1,811 and 1,382 hours of service in 2018 and 2017, respectively, and the Library would have had to pay clerks approximately \$18,000 and \$13,000 for December 31, 2018 and 2017, respectively, if volunteers were not available.

Note 3 – Liquidity and Availability of Financial Assets

The Library has \$1,605,848 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash \$1,457,434 and receivables \$148,414. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Library has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Library has a \$50,000 line of credit available to supplement its cash need.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 4 – Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows. Restricted cash is for building expenditures.

Cash and cash equivalents	\$ 1,008,685
Board designated money market account	<u>448,749</u>
Cash, cash equivalents and restricted cash	<u>\$ 1,457,434</u>

Note 5 – Adoption of New Accounting Pronouncements

For the year ended December 31, 2018, the Library adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. We have evaluated the effect that this guidance will have on our financial statements and related disclosures and determined it will not have a material impact.

For the year ended December 31, 2018, the Library adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Note 6 – Grants Receivable

The Library solicited both public and private grant funding for its building project. Grants receivable include the balances of a New York State grant with a balance totaling \$18,994. A private foundation \$500,000 grant was received, payable in four installments, with two annual installments remaining at December 31, 2018.

Note 7 – Pledges Receivable

Unconditional pledges receivable as of December 31, 2018, are expected to be collected as follows:

One year or less	\$ 4,420
One to five years	<u>-</u>
Total pledges receivable	<u>\$ 4,420</u>

The pledges were made in support of the new facility project.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 8 – Marketable Securities

The Library received fifteen shares of Walt Disney (DIS) and nine shares of Amgen Inc. (AMGN) as a donation in 2017. At December 31, 2017 the stocks had a cost basis of \$3,197 and a market value of \$3,210. In September 2018, the Library liquidated the stocks for \$3,506 resulting in a realized gain of \$309.

Note 9 – Property and Equipment

Land, buildings, and equipment and the related accumulation of depreciation consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 831,850	\$ 831,850
Land improvements	184,358	184,358
Building and improvements	6,137,479	6,137,479
Equipment and furnishings	<u>873,720</u>	<u>863,847</u>
Total	8,027,407	8,017,534
Less accumulated depreciation	<u>(414,496)</u>	<u>(140,403)</u>
Property and equipment, net	<u>\$ 7,612,911</u>	<u>\$ 7,877,131</u>

Note 10 – Line of Credit

The Library has a bank line of credit for \$50,000 bearing interest at the prime rate (5.5% at December 31, 2018). The line was not used in either 2018 or 2017; the balance on the line of credit at December 31, 2018 and 2017 was \$0.

Note 11 – Construction Loan – Mortgage

On November 16, 2016, the Library closed on financing for the construction and mortgage of its new facility. The aggregate amount of the financing was to be \$5,150,000 divided between a construction loan of \$4,300,000 at 4.08% and an excess mortgage of \$850,000 at 3.37%, both convertible to a permanent mortgage. At December 31, 2016, \$100,450 of the construction loan had been drawn to pay the November 16th closing costs.

During 2017, the construction loan was used for the general contractor's payments and at December 31, 2017, the balance of the construction loan was \$3,782,024. Subsequent to year end, and after additional construction payments were financed, the Library and lender agreed to paydown and convert the loan to a permanent mortgage of \$3,825,000. The first payment was due March 1, 2018, maturing after ten years on February 1, 2028, amortized over 300 months at \$20,471 per month including interest at 4.08%.

Included as an offset to the construction loan payable is the \$100,450 closing costs that will be amortized over a ten-year period, beginning March 1, 2018. The balance of the closing costs at December 31, 2018 is \$92,079.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 11 – Construction Loan – Mortgage (continued)

Approximate principal payments on the mortgage and amortization of the debt closing costs are as follows:

2019.....	\$ 94,412
2020.....	98,400
2021.....	102,490
2022.....	106,751
2023.....	111,189
Thereafter.....	<u>3,237,568</u>
Loan balance at December 31	3,750,810
Less: debt closing costs	<u>(92,079)</u>
Loan balance, less debt closing costs	\$ 3,658,731
Presented as: Current portion	<u>(84,367)</u>
Long term	<u>\$ 3,574,364</u>

Interest expense at December 31, 2018 and 2017 was \$145,585 and \$50,046, respectively. Capitalized interest included in the cost of property and equipment during the pre-opening construction period totaled \$29,850 at December 31, 2017.

The mortgage is secured by the property at 5110 Jamesville Road in the Town of DeWitt.

Note 12 – Income Tax Status

Community Library of DeWitt & Jamesville is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Library is obligated to pay income tax on its unrelated business income (as defined), if any. The Library had no unrelated business income for the years ended December 31, 2018 or 2017. As a not-for-profit organization, the Library is required to file federal tax returns annually. These returns may be selected for examination by the Internal Revenue Service, subject to a statute of limitations, to determine whether or not the Library has properly maintained its tax-exempt status. The Library's tax returns for the years 2015 and beyond remain subject to examination by the Internal Revenue Service.

Note 13 – Retirement Plan

The Library has a retirement plan covering eligible employees with over 1,000 hours of annual service whereby the Library contributes 5% of eligible wages. Contributions for 2018 and 2017 amounted to approximately \$29,000 and \$26,000, respectively. The Library has adopted a TIAA-CREF prototype plan that additionally permits employee contributions through payroll reduction.

Note 14 – Vacation Accrual

Employees of the Library are entitled to paid vacation depending on length of service and other factors. On termination, any accrued vacation is payable to the terminating employee. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment. The balance of the vacation accrual at December 31, 2018 and 2017 is \$14,120 and 13,282, respectively.

Community Library of DeWitt & Jamesville

Notes to Financial Statements

Note 15 – Leases

The Library had occupied space since 1962 under lease agreements, as modified multiple times over the years and as last modified June 27, 2016, that extended the term of the lease to August 2017. The Library vacated the leasehold in August 2017.

Note 16 – Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2018, the Library had a balance in a money market and checking account with one financial institution of \$1,475,786. At December 31, 2018, the composition of the deposits held exceeded the FDIC limit of \$250,000 by \$1,225,786. Management believes there is no significant risk with respect to such deposits.

Grants and pledges receivable also expose the Library to credit risk. Management believes that the sources of grants and the size of private individual gifts receivable minimize the risk of loss from such receivable balances.

Note 17 – Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the Organization has evaluated subsequent events through February 26, 2019, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of February 26, 2019, have been incorporated into these financial statements herein.

