

**DEWITT COMMUNITY  
LIBRARY ASSOCIATION, INC.**

**REPORT ON  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL DATA**

**For the Years Ended December 31, 2016 and 2015**

**Dewitt Community Library Association, Inc.**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Dewitt Community Library Association, Inc.  
Dewitt, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of Dewitt Community Library Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 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; 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.

### Auditor's 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 auditor's 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.

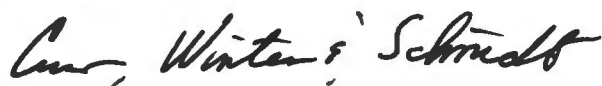
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dewitt Community Library Association, Inc. as of December 31, 2016 and 2015, 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.

### **Report on Supplemental Information**

Our audit was made for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of functional expenses on page 11 are presented for the purpose of additional analysis and are not a required part of the basic 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 basic 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 basic financial statements as a whole.



East Syracuse, New York  
March 8, 2017

**DeWitt Community Library Association, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 798,815	\$ 86,296
Short-term certificates of deposit	-	662,000
Grants and reimbursements receivable	-	3,886
Pledges receivable - current	26,408	-
Prepaid expenses	9,408	8,776
<b>Total current assets</b>	<u>834,631</u>	<u>760,958</u>
<b>Property and Equipment, net:</b>		
Furniture and equipment (less accumulated depreciation of \$222,283-2016, \$199,535-2015)	44,365	58,309
Leasehold improvements (less accumulated depreciation of \$70,285-2016, \$69,734-2015)	476	1,027
<b>Total property and equipment</b>	<u>44,841</u>	<u>59,336</u>
<b>Other assets:</b>		
Investments		
Money market account	1,628,046	2,291,607
Certificates of deposit	-	351,000
Pledges receivable - noncurrent	16,583	-
Acquisition costs and construction in progress	2,560,855	373,568
<b>Total other assets</b>	<u>4,205,484</u>	<u>3,016,175</u>
<b>Total assets</b>	<u>\$ 5,084,956</u>	<u>\$ 3,836,469</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expense	\$ 522,720	\$ 34,535
Accrued payroll	10,104	8,318
Accrued benefits payable	20,133	11,528
<b>Total current liabilities</b>	<u>552,957</u>	<u>54,381</u>
<b>Long-term Liabilities:</b>		
Construction loan	100,450	-
<b>Total long-term liabilities</b>	<u>100,450</u>	<u>-</u>
<b>Total liabilities</b>	<u>653,407</u>	<u>54,381</u>
<b>Net Assets:</b>		
<b>Unrestricted net assets:</b>		
Board designated for building expenditures	1,628,046	2,591,172
Undesignated	2,760,512	1,139,481
<b>Total unrestricted net assets</b>	<u>4,388,558</u>	<u>3,730,653</u>
<b>Temporarily restricted net assets:</b>		
Temporarily restricted net assets for building expansion	42,991	51,435
<b>Total temporarily restricted net assets</b>	<u>42,991</u>	<u>51,435</u>
<b>Total net assets</b>	<u>4,431,549</u>	<u>3,782,088</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,084,956</u>	<u>\$ 3,836,469</u>

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

**DeWitt Community Library Association, Inc.  
Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and support:</b>						
Public grant J-D Proposition	\$ 1,417,672	-	\$ 1,417,672	\$ 1,363,146	-	\$ 1,363,146
Other gifts and grants	9,585	-	9,585	9,940	39,821	49,761
NYS construction grant	-	155,762	155,762	-	-	-
Capital Campaign	-	119,760	119,760	-	-	-
Interest income	6,303	-	6,303	7,167	-	7,167
Other income	28,976	-	28,976	32,509	-	32,509
Net assets released from restrictions	283,966	(283,966)	-	28,386	(28,386)	-
<b>Total revenues and support</b>	<u>1,746,502</u>	<u>(8,444)</u>	<u>1,738,058</u>	<u>1,441,148</u>	<u>11,435</u>	<u>1,452,583</u>
<b>Expenses:</b>						
Program expense	883,237	-	883,237	923,309	-	923,309
Management and administrative	183,483	-	183,483	149,801	-	149,801
Fund raising	21,877	-	21,877	6,778	-	6,778
<b>Total expenses</b>	<u>1,088,597</u>	<u>-</u>	<u>1,088,597</u>	<u>1,079,888</u>	<u>-</u>	<u>1,079,888</u>
<b>Increase (decrease) in net assets</b>	<b>657,905</b>	<b>(8,444)</b>	<b>649,461</b>	<b>361,260</b>	<b>11,435</b>	<b>372,695</b>
Net assets - beginning of year	<u>3,730,653</u>	<u>51,435</u>	<u>3,782,088</u>	<u>3,369,393</u>	<u>40,000</u>	<u>3,409,393</u>
<b>Net assets - end of year</b>	<u>\$ 4,388,558</u>	<u>\$ 42,991</u>	<u>\$ 4,431,549</u>	<u>\$ 3,730,653</u>	<u>\$ 51,435</u>	<u>\$ 3,782,088</u>

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



**DeWitt Community Library Association, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash flow from operating activities:</b>		
Change in total in net assets	\$ 649,461	\$ 372,695
Adjustments to reconcile net cash provided by operating activities:		
Depreciation	23,299	31,622
(Increase) decrease in operating assets		
Short-term certificates of deposit	662,000	10,000
Grants receivable	3,886	(3,886)
Pledges receivable	(42,991)	-
Prepaid expenses	(632)	948
Increase (decrease) in operating liabilities		
Accounts payable and accrued expense	488,185	24,228
Accrued payroll	1,786	3,768
Accrued benefits payable	8,605	(5,207)
	<u>1,793,599</u>	<u>434,168</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Acquisition of furniture, equipment and improvements	(8,804)	(10,499)
Acquisition costs and construction in progress	(2,187,287)	(357,189)
Decrease (increase) in board designated money market account	663,561	(2,105,347)
Decrease in board designated certificates of deposit	351,000	2,061,000
	<u>(1,181,530)</u>	<u>(412,035)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities:</b>		
Proceeds from construction loan advance	100,450	-
<b>Net cash provided by financing activities</b>	<u>100,450</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	712,519	22,133
<b>Cash and cash equivalents, beginning of year</b>	<u>86,296</u>	<u>64,163</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 798,815</u>	<u>\$ 86,296</u>
<b>Supplemental disclosures of cash flows:</b>		
<b>Cash paid during the year for:</b>		
Interest	<u>\$ 524</u>	<u>\$ -</u>

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

# Dewitt Community Library Association, Inc.

## Notes to Financial Statements

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### Note 1 – Nature of Operations

Dewitt Community Library Association, Inc. is a nonprofit organization and a member library of the Onondaga County Public Library System whose purpose is to provide quality library service to the community of Dewitt, Jamesville and the surrounding Central New York area.

### 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 ASC Topic 958, Not-for-Profit Entities. Under ASC Topic 958, 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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 Books

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

#### Furniture and Equipment

Furniture 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 (3 to 15 years) of the assets. Depreciation expense of \$23,299 and \$31,622 has been recorded for 2016 and 2015, respectively.



# Dewitt Community Library Association, Inc.

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (continued)

#### Investments for Board Designated Purposes and Restricted Activity

Restricted Activity – In 2009, the Library received a bequest of \$40,000 to be used toward “the expansion of library facilities”. In 2015, an additional \$11,435 was contributed also earmarked for the expansion of the Library. In 2016, the Library applied for and received a construction grant for \$155,762. A capital campaign “for a New Library for Jamesville and DeWitt” resulted in receipts of \$76,769 and additional pledges of \$42,991 yet to be received. To the extent the construction has begun, restricted funds are considered used, except to the extent of pledges receivable.

The Board of Trustees has continued to set aside certain funds for capital acquisitions and Library expansion. Such funds are called Board Designated Funds and although not legally restricted, are internally intended for designated purposes. The Board through its budget process has allocated Library Proposition receipts to be set aside for building related expenses. The Board also approved use of certain of these funds for building related expenditures and special needs. The Board periodically votes to release earnings from these funds for operations but otherwise the earnings remain with the designated funds. The activity of the investment accounts that hold restricted and Board Designated funds for the years ended December 31, follows:

	<u>2016</u>	<u>2015</u>
January 1 investments	\$ 2,642,607	\$ 2,598,260
Consisting of:		
Board Designated activity, January 1	\$ 2,591,172	\$ 2,558,260
Budgeted allocation	344,929	361,761
Board approved expenditures	(1,311,762)	(330,825)
Net earnings retained	<u>3,707</u>	<u>1,976</u>
Board Designated, December 31	<u>1,628,046</u>	<u>2,591,172</u>
Restricted activity, January 1	51,435	40,000
Construction grant received	155,762	-
Donations and pledges for building	119,760	11,435
Portion of restricted funds fully expended	(283,966)	-
Restricted pledges not yet received	<u>(42,991)</u>	<u>-</u>
Restricted investments	-	<u>51,435</u>
Total investments, December 31	<u>\$ 1,628,046</u>	<u>\$ 2,642,607</u>

#### Concentration of Revenue

The Association's principal source of funding is through the Jamesville-Dewitt School District Library Proposition. It is recorded as revenue in the year received.

#### 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.

# Dewitt Community Library Association, Inc.

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### 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 1,355 and 1,400 hours of service in 2016 and 2015, respectively, and the Library would have had to pay clerks approximately \$12,000 in both 2016 and 2015, if volunteers were not available.

### Note 3 – Cash and Investments Held

As described in Note 2 (Cash and Equivalents), current cash funds consist of cash held in non-interest bearing checking accounts.

As described in Note 2 (Investments), the Board has designated assets to be set aside for building expansion needs, that are invested in a money market account that bears interest at a low (under 1%) rate of interest.

### Note 4 – Pledges Receivable

Unconditional pledges receivable as of December 31, 2016, are expected to be collected as follows:

One year or less	\$ 26,408
One to five years	<u>16,583</u>
Total pledges receivable	<u>\$ 42,991</u>

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

### Note 5 – Line of Credit

The Library has a bank line of credit for \$50,000 bearing interest at the prime rate (3.75% at December 31, 2016). The balance on the line of credit at December 31, 2016 and 2015 was \$0.

### Note 6 – Income Tax Status

Dewitt Community Library Association, Inc. 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, 2016 or 2015. 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 2013 and beyond remain subject to examination by the Internal Revenue Service.

# Dewitt Community Library Association, Inc.

## Notes to Financial Statements

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### Note 7 – Retirement Plan

The Library has a retirement plan covering eligible employees with over 1,000 hours of service whereby the Library contributes 5% of eligible wages. Contributions for 2016 and 2015 amounted to approximately \$22,000 and \$23,000, respectively. The Library has adopted a TIAA-CREF prototype plan that additionally permits employee contributions through payroll reduction.

### Note 8 – Vacation Accrual

Employees of the Association 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.

### Note 9 – Leases

The Library has occupied space since 1975 under a lease agreement, as modified multiple times over the years, as last modified June 27, 2016, that extends the term of the lease to August, 2017. Rent has been \$61,279 per annum since 2012, and the landlord also charges for utilities.

### Note 10 – Commitments and Contingencies

In July 2016, the Library closed on land in the Jamesville-Dewitt area and began construction on a new library facility. The total building plan calls for a facility that will cost approximately \$8.3 million. To date, the acquisition, pre-construction, and initial construction to date costs incurred total \$2,560,855. Remaining in the contractor's construction budget is nearly \$5 million in costs to complete, and the remaining facilities budget includes furnishings, equipment and other costs. The Board and construction advisor team meet regularly to keep the costs of the project evaluated and contained as progress is made.

On November 16, 2016, the Library closed on financing for the construction and mortgage of the new facility. The aggregate amount of the financing is \$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. Interest is payable on the first of every month. There is also a line of credit of \$50,000 available at the prime rate. At December 31, 2016, \$100,450 of the construction loan was drawn to pay the November 16th closing costs. The loan is secured by the property at 5110 Jamesville Road in the Town of DeWitt.

The Library has applied for grants from New York State agencies related to the building project that are in the process of approval. One State and Municipal Facilities Program (SAM) grant for \$250,000 is in the process of final approval from the Dormitory Authority of NYS. Another grant that has initial approval for \$317,413 representing 75% of HVAC costs related to the new building is also in the process of final state approval. In addition, the Library has additional grant commitments in process from private grant sources. None of these grants currently meet the conditions required to currently record them in these financial statements.

# Dewitt Community Library Association, Inc.

## Notes to Financial Statements

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### **Note 10 – Commitments and Contingencies (continued)**

The Library obtains the majority of its funding from a tax levy approved by the voters of the Jamesville-Dewitt Central School District and collected by the School District. In April 2012, an action was brought by a petitioner in the District to halt the Library from seeking and collecting funds through the voting and School District tax collection process. Since then there have been multiple rulings by the Commissioner of the New York State Education Department, resulting to date in petitioner's actions being dismissed. The petitioner has now brought an action to the New York Supreme Court to appeal the Education Department's decisions. To date, legal fees associated with this action have amounted to nearly \$53,000, with \$27,000 of the 2016 fees being reimbursed by the New York State Library Association. Should the plaintiff's action proceed, the Library will incur further legal costs. Based on decisions to date, the Library believes its defenses are meritorious.

### **Note 11 – Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

At December 31, 2016, the Library had a balance in a money market and checking account with one financial institution of \$2,452,449. At December 31, 2016, the composition of the deposits held exceeded the FDIC limit of \$250,000 by \$2,176,861. Management believes there is no significant risk with respect to such deposits.

### **Note 12 – 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, 2016 and 2015.

### **Note 13 – Subsequent Events**

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the Organization has evaluated subsequent events through March 8, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of March 8, 2017, have been incorporated into these financial statements herein.



**DeWitt Community Library Association, Inc.**  
**Schedules of Functional Expenses**  
**For the Year Ended December 31, 2016 and Comparative Totals for 2015**

<b><u>SUPPORT SERVICES</u></b>					
				<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>Program</u></b>	<b><u>Management &amp;</u></b>	<b><u>Fund</u></b>		
	<b><u>Services</u></b>	<b><u>Administrative</u></b>	<b><u>Raising</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
Payroll					
Librarians	\$ 227,555	\$ 80,884	\$ 8,706	\$ 317,145	\$ 297,386
Support Staff	223,897	31,259	4,066	259,222	258,333
Payroll Service	-	1,782	-	1,782	1,872
FICA	32,293	8,113	930	41,336	39,619
Health Insurance	16,924	6,303	665	23,892	20,021
Retirement	17,651	4,221	451	22,323	23,321
Insurance	10,773	2,676	305	13,754	13,676
Telephone	3,629	901	103	4,633	4,213
Utilities	27,932	6,938	-	34,870	34,871
Rent Paid	49,079	12,191	-	61,270	61,270
Custodial	28,275	7,024	-	35,299	35,241
Postage	615	153	1,500	2,268	1,471
Supplies	5,380	4,883	-	10,263	13,703
Collection Expense	-	394	-	394	680
Books	68,273	-	-	68,273	76,056
Electronic Resources	26,284	-	-	26,284	20,431
Periodicals	8,276	-	-	8,276	7,184
Audios & CDs	11,833	-	-	11,833	13,107
Videos & DVDs	28,585	-	-	28,585	26,465
Kits & Nontraditional	1,489	-	-	1,489	-
Computer Library System	28,645	-	-	28,645	26,947
Projects	11,010	-	-	11,010	10,637
Conference	3,826	138	-	3,964	3,288
Miscellaneous	2,836	704	-	3,540	4,052
Public Relations	2,435	-	2,151	4,586	4,065
Repairs & Maintenance	17,863	1,732	-	19,595	16,772
Computer & Support	5,046	1,253	-	6,299	6,160
Bank Charges	-	304	-	304	485
Depreciation	22,833	466	-	23,299	31,622
Audit Fee	-	11,000	-	11,000	10,000
Consulting Fees	-	-	3,000	3,000	504
Legal Fees	-	164	-	164	-
Grant Expenses	-	-	-	-	16,436
<b>Total</b>	<b><u>\$ 883,237</u></b>	<b><u>\$ 183,483</u></b>	<b><u>\$ 21,877</u></b>	<b><u>\$ 1,088,597</u></b>	<b><u>1,079,888</u></b>

The accompanying footnotes are an integral part of the audited financial statements.