

**CLAVERACK FREE LIBRARY AND READING
ROOM ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Claverack Free Library and Reading Room Association
PO Box 417
Claverack, NY 12513

I have audited the accompanying financial statements of Claverack Free Library and Reading Room Association, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

I 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 Claverack Free Library and Reading Room Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 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 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.

Ghent, New York
November 8th, 2018

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF ASSETS, LIABILITIES AND
 NET ASSETS (INCOME TAX BASIS)
 December 31, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 266,923	\$ 255,083
Accounts Receivable	18,692	19,733
Pledges Receivable	9,000	6,651
Prepaid Expenses	882	1,248
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	\$ 295,497	\$ 282,714
Marketable Securities, at Fair Market Value	485,106	384,186
Fixed Assets, Net of Depreciation of \$13,409	1,488,868	1,307,893
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TOTAL ASSETS	<u>\$ 2,269,470</u>	<u>\$ 1,974,793</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 30,923	\$ 1,537
Accrued Expenses	5,000	5,000
Payroll Taxes and Withholdings Payable	1,327	1,104
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TOTAL LIABILITIES	\$ 37,250	\$ 7,641
 NET ASSETS		
Unrestricted	\$ 1,404,511	\$ 1,279,093
Temporarily Restricted	817,709	678,059
Permanently Restricted	10,000	10,000
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 2,232,220	\$ 1,967,153
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,269,470</u>	<u>\$ 1,974,793</u>

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

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF REVENUE, EXPENSES AND OTHER
 CHANGES IN NET ASSETS (INCOME TAX BASIS)
 FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
UNRESTRICTED NET ASSETS		
Grants:		
Government Grants	\$ 70,046	\$ 66,104
Other Grants	18,692	16,700
Donations:		
General	12,433	13,212
Contributed Services	1,695	4,650
Special Fundraising Events, Net	11,499	11,282
Other Revenue:		
Net Realized Gains (Losses) on Investments	111,674	(11,731)
Investment Income	9,173	11,202
Miscellaneous income	2,859	2,289
TOTAL SUPPORT AND REVENUE	\$ 238,072	\$ 113,707
Expenses:		
Program Services	87,808	84,764
General & Administrative Expenses	20,316	21,077
Fundraising Expenses	4,530	3,498
TOTAL EXPENSES	\$ 112,654	\$ 109,339
INCREASE IN UNRESTRICTED NET ASSETS	\$ 125,418	\$ 4,368
 TEMPORARILY RESTRICTED NET ASSETS		
Government Grant for New Building Project	84,913	87,150
Special Fundraising Events, Net	252	12,173
Contributions, Other	54,484	23,907
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	\$ 139,650	\$ 123,230
INCREASE IN NET ASSETS	\$ 265,067	\$ 127,598
NET ASSETS AT BEGINNING OF YEAR	1,967,153	1,839,553
NET ASSETS AT END OF YEAR	\$ 2,232,220	\$ 1,967,153

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

CLAVERRACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES (INCOME TAX BASIS)
 FOR THE YEAR ENDED DECEMBER 31, 2017

	LIBRARY PROGRAM	MANAGEMENT GENERAL	FUNDRAISING	TOTAL
Payroll	\$ 38,126	\$ 7,534	\$ -	\$ 45,660
Program Expense	21,411	1,127	-	22,538
Occupancy	12,288	-	-	12,288
Mid Hudson Library Fees	6,199	-	-	6,199
Office and Library Supplies	5,020	-	-	5,020
Professional Fees	-	5,000	-	5,000
Fundraising Expenses	-	-	4,530	4,530
Insurance	-	4,421	-	4,421
Payroll Taxes	3,154	623	-	3,777
Bank and Credit Card Charges	-	1,488	-	1,488
Telephone	988	-	-	988
Employee Benefit	622	123	-	745
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TOTAL EXPENSES	\$ 87,808	\$ 20,316	\$ 4,530	\$ 112,654

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

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Cash Flows From Operating Activities:</u>	<u>Unrestricted</u>
Change in Net Assets	\$ 265,067
Adjustments to Reconcile Change in Net Assets To Net Cash provided (Used) By Operating Activities:	
Decrease in PrePaid Expenses	366
Decrease in Accounts Receivable	1,041
Increase in Accounts Payable	29,387
Increase in Taxes Payable	224
Increase in Pledges Receivable	(2,350)
Net Cash Provided (Used) by Operating Activities	293,735
Adjustments to Reconcile Change in Net Assets <u>To Net Cash provided (Used) By Investing Activities:</u>	
Investment into New Library Building	(180,975)
Investment Valuation Adjustment to Fair Market Value	(84,676)
Increase in Marketable Securities	(16,244)
Net Cash Provided (Used) by Investing Activities	(281,895)
Total Adjustments:	11,840
Cash at Beginning of Year	255,083
Cash at End of Year	\$ 266,923

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

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Claverack Free Library and Reading Room Association, Inc. (the “Library”) is located in Claverack, New York within Columbia County, and was organized as a not-for-profit corporation without capital stock under the laws of the State of New York. The Library provides patrons and children with materials and resources needed for independent learning, research and recreational reading. The Library’s support comes primarily from municipal grants and contributions from the general public.

Basis of Accounting

The Library’s policy is to prepare its financial statements on the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Library maintains its books according to the accrual method of accounting.

Cash and Cash Equivalents

The Library maintains cash in bank deposit accounts that, at times, exceed federally insured limits. The Library has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. At December 31, 2017 cash on deposit in an interest-bearing account with one financial institution did not exceed the FDIC limits.

Cash equivalents consist of all temporary investments with an original maturity of three months or less.

Fixed Assets

Acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight line method over the estimated useful life of the asset.

Marketable Securities

Investments in equity and debt securities are stated at fair market value. Contributions of securities are valued at their fair market value as of the date of the contribution.

Investment income is reported as an increase in unrestricted net assets unless the donor placed restrictions on the income’s use. Income that is restricted is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Gains and losses are reflected as increases or decreases in unrestricted net assets unless the donor or relevant laws placed temporary or permanent restrictions on those gains and losses. Donor- restricted investment income and gains whose restrictions are met in the same reporting period are reported as unrestricted income.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires during the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Library is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as an organization that is not a private foundation.

The Library's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2016, and 2017, are subject to examination by the Internal Revenue Service, generally for three years after having been filed.

Estimates

The preparation of financial statements in conformity with the income tax basis of accounting 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. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

The balances comprising cash and cash equivalents at December 31 are as follows:

	2017	2016
Cash on hand	\$ 80	\$ 80
Checking Accounts	251,714	242,847
Cash in brokerage accounts	15,117	12,044
Money market accounts	12	112
TOTAL CASH AND CASH EQUIVALENTS	\$ 266,923	\$ 255,083

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C - MARKETABLE SECURITIES

Marketable securities consist of mutual funds traded on national stock exchanges. Securities are reported at fair market value for financial statement purposes. Securities were reported at cost in 2016 in error. Cost and market value are as follows:

December 31, 2017		
	COST	MARKET VALUE
Equity Funds	\$ 285,818	\$ 367,699
Bond Funds	61,379	62,498
Hedge Funds	49,243	50,474
Tangible Asset Funds	3,990	4,435
TOTAL INVESTMENTS	\$ 400,430	\$ 485,106

December 31, 2016		
	COST	MARKET VALUE
Equity Funds	\$ 241,280	\$ 284,065
Hedge Funds	64,515	64,712
Bond Funds	41,101	39,885
Real Estate Funds	19,621	24,429
Tangible Asset Funds	17,669	12,799
TOTAL INVESTMENTS	\$ 384,186	\$ 425,890

Unrealized gain on marketable securities at December 31, 2017 and 2016 was \$84,676 and \$41,704, respectively.

Marketable securities are held in two trust accounts in which the principal is held in trust and income from these investments is available for operating expenses of the Library. Therefore, the investments are classified as non-current in the statement of assets, liabilities and net assets.

The initial bequest of one of the trusts in the amount of \$10,000 is a permanently restricted endowment. The income of the other trust is available for all operating expenses of the Library, as needed, without restriction.

Fair values for all investments are determined by reference to quoted market prices in active markets for identical assets (Level 1 inputs). There were no changes in valuation techniques in the year ended December 31, 2017. The Association recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended December 31, 2017.

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - MARKETABLE SECURITIES (CONTINUED)

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2017 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Marketable Securities	\$ 485,106
TOTAL INVESTMENTS	\$ 485,106

Investment return for the year ended December 31, 2017 is summarized as follows:

Interest and dividend income	\$ 9,173
Net realized and unrealized losses On investments carried at fair value	26,998
TOTAL UNRESTRICTED INVESTMENT INCOME	\$ 36,171

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2017	2016
Capitalized new building development costs	\$ 1,488,868	\$ 1,307,893
Library Building	13,409	13,409
TOTAL FIXED ASSETS	\$ 1,502,277	\$ 1,321,302
Less: Accumulated depreciation	13,409	13,409
FIXED ASSETS, NET	\$ 1,488,868	\$ 1,307,893

Depreciation expense for the years ended December 31, 2017 and 2016 was \$0 and \$0, respectively. The new library building (see NOTE H) is not yet completed and has not been occupied as of the date of these financial statements. Therefore, no depreciation is being taken on the building at present.

NOTE E - NET ASSETS

Temporarily restricted net assets consist of donations and grants to the Library designated for the new building renovation capital project.

Permanently restricted net assets consist of an endowment held in trust for the Library with all income paid out for use in its general operations.

NOTE F - CONTRIBUTED SERVICES & USE OF FACILITIES

In 2017, the Library received, at no charge, the services of individuals providing two programs for the general public and contributed facility space. The value of these contributed services was estimated to be \$0.

In 2016, the Library received, at no charge, the services of individuals providing adult and children's programs for the general public. The value of these contributed services was estimated to be \$0.

NOTE G - SPECIAL FUND RAISING EVENTS

Special event income, net consists of the following for the years ended: December 31, 2017 and 2016.

December 31, 2017			
	GROSS REVENUE	EXPENSES	NET RECEIVED
Special Event	\$ 870	\$ 618	\$ 252
Spring Festival	6,851	1,125	5,726
Fall Festival	8,528	2,755	5,773
	<hr/>	<hr/>	<hr/>
SPECIAL EVENTS, NET	\$ 16,249	\$ 4,498	\$ 11,751

December 31, 2016			
	GROSS REVENUE	EXPENSES	NET RECEIVED
Special Event	\$ 21,152	\$ 9,028	\$ 12,124
Spring Festival	7,274	1,120	6,154
Chocolate Fundraiser	6,200	1,073	5,127
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SPECIAL EVENTS, NET	\$ 34,626	\$ 11,221	\$ 23,405

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H - PURCHASE OF NEW LIBRARY BUILDING

On November 22, 2010, the Library purchased a former firehouse to serve as its future library facility. The building was occupied by the fire company until December 2011. The Library is in the process of raising funds through its Capital Campaign to do a complete and extensive renovation of the new building. It is too early in the process to set a time frame for the occupation of the new facility.

NOTE I - SUBSEQUENT EVENTS

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through June 15, 2017, the date the financial statements were available to be issued. The Library did not have any subsequent events requiring reporting or disclosure in the financial statements.