

CLAVERRACK FREE LIBRARY AND READING
ROOM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Claverack Free Library and Reading Room Association, Inc.
PO Box 417
Claverack, NY 12513

I have audited the accompanying financial statements of Claverack Free Library and Reading Room Association, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 the basis of accounting Claverack Free Library and Reading Room Association, Inc., uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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 I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Claverack Free Library and Reading Room Association, Inc., as of December 31, 2019, and the statements of activities and its cash flows for the year then ended in accordance with the basis of accounting Claverack Free Library and Reading Room Association, Inc., uses for income tax purposes described in Note A, *Basis of Accounting*.

Basis of Accounting

I draw attention to Note A to the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Claverack Free Library and Reading Room Association, Inc., uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements 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 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Hillsdale, New York
September 30, 2020

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
(INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Cash Equivalents	\$ 128,265	\$ 245,817
Accounts Receivable	197,024	112,432
Pledges Receivable	3,000	4,000
Prepaid Expenses	10,615	7,163
Marketable Securities, at Fair Market Value	503,340	432,542
Fixed Assets, Net of Depreciation of \$29,098	2,921,347	1,821,368
TOTAL ASSETS	<u>\$ 3,763,591</u>	<u>\$ 2,623,322</u>
LIABILITIES		
Accounts Payable	16,402	4,683
Accrued Expenses	7,250	5,000
Payroll Taxes and Withholdings Payable	1,429	1,169
Line of Credit	100,000	-
TOTAL LIABILITIES	<u>125,081</u>	<u>10,852</u>
NET ASSETS		
Without donor restrictions	3,461,652	1,377,640
With donor restrictions	176,858	1,234,830
TOTAL NET ASSETS	<u>3,638,510</u>	<u>2,612,470</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,763,591</u>	<u>\$ 2,623,322</u>

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

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
(INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS:		
Revenues and gains		
Grants:		
Governments Grants	\$ 68,419	\$ 70,693
Other Grants	12,559	22,552
Donations:		
General	16,368	12,684
Contributed Services	3,813	2,633
Special Fundraising Events, Net	15,662	13,989
Other Revenue:		
Net Realized Gains (Losses) on Investments	91,711	(47,406)
Investment Income	11,526	10,084
Miscellaneous Income	-	2,889
TOTAL REVENUE AND GAINS WITHOUT DONOR	<u>220,058</u>	<u>88,118</u>
RESTRICTIONS		
Net assets released from restrictions:		
Restrictions satisfied by new building completion	<u>2,004,295</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT		
WITHOUT DONOR RESTRICTIONS	<u>2,224,353</u>	<u>88,118</u>
Expenses:		
Program Services	103,934	87,207
General & Administrative Expenses	32,333	23,466
Fundraising Expenses	4,074	4,316
TOTAL EXPENSES	<u>140,341</u>	<u>114,989</u>
INCREASE IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS	2,084,012	(26,871)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Government Grant for New Building Project	826,100	379,721
Restrictions satisfied, new building completion	(2,004,295)	-
Special Fundraising Events, Net	(1,807)	(272)
Contributions, Other	<u>122,030</u>	<u>27,672</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR		
RESTRICTIONS	<u>(1,057,972)</u>	<u>407,121</u>
INCREASE IN NET ASSETS	1,026,040	380,250
NET ASSETS AT BEGINNING OF YEAR	<u>2,612,470</u>	<u>2,232,220</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,638,510</u>	<u>\$ 2,612,470</u>

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

CLAVERRACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES (INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	LIBRARY PROGRAM	MANAGEMENT GENERAL	FUNDRAISING	TOTAL	LIBRARY PROGRAM	MANAGEMENT GENERAL	FUNDRAISING	TOTAL
Payroll	\$ 34,000	\$ 16,765	\$ -	\$ 50,765	\$ 38,415	\$ 7,591	\$ -	\$ 46,006
Program Expense	26,969	-	-	26,969	22,990	1,210	-	24,200
Depreciation Expense	15,689	-	-	15,689	-	-	-	-
Occupancy	14,936	-	-	14,936	10,053	-	-	10,053
Professional Fees	-	7,250	-	7,250	-	6,135	-	6,135
Office and Library Supplies	3,511	-	-	3,511	5,663	-	-	5,663
Mid Hudson Library Fees	3,947	-	-	3,947	5,640	-	-	5,640
Insurance	-	4,825	-	4,825	-	4,768	-	4,768
Fundraising Expenses	-	-	4,074	4,074	-	-	4,316	4,316
Payroll Taxes	3,202	870	-	4,072	3,105	614	-	3,719
Bank and Credit Card Charges	-	2,570	-	2,570	-	3,034	-	3,034
Telephone	1,097	-	-	1,097	764	-	-	764
Employee Benefit	583	53	-	636	577	114	-	691
TOTAL EXPENSES	\$ 103,934	\$ 32,333	\$ 4,074	\$ 140,341	\$ 87,207	\$ 23,466	\$ 4,316	\$ 114,989

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,026,040	\$ 380,253
Adjustments to reconcile increase in net assets:		
Depreciation	15,689	
(Increase) in Prepaid Expenses	(3,452)	(6,281)
(Increase) in Accounts Receivable	(84,592)	(93,740)
Increase/(Decrease) in Accounts Payable	13,969	(26,241)
Increase in line of credit	100,000	-
Increase/(Decrease) in Taxes Payable	260	(159)
Decrease in Pledges Receivable	<u>1,000</u>	<u>5,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,068,914	258,832
Adjustments to Reconcile Change in Net Assets:		
Investment into New Library Building	(1,115,668)	(332,501)
Investment Valuation Adjustment to Fair Market Value	(78,563)	77,236
Increase in Marketable Securities	<u>7,765</u>	<u>(24,673)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,186,466)</u>	<u>(279,938)</u>
Total Adjustments:	(117,552)	(21,106)
Beginning cash, cash equivalents, and restricted cash	245,817	266,923
Ending cash, cash equivalents, and restricted cash	<u><u>\$ 128,265</u></u>	<u><u>\$ 245,817</u></u>

The accompanying notes are an integral part of these 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, 2019 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 modified accelerated cost recovery system 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 values 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 2017, 2018, and 2019, are subject to examination by the Internal Revenue Service.

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

	2019	2018
Cash on hand	\$ 80	\$ 80
Checking Accounts	103,304	235,541
Cash in brokerage accounts	24,881	10,196
Money market accounts	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 128,265	\$ 245,817

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. Cost and market value are as follows:

2019	Cost	Market Value
Equity Funds	\$ 311,604	\$ 393,335
Bond Funds	105,732	110,005
Hedge Funds	-	-
Tangible Asset Funds	-	-
TOTAL INVESTMENTS	\$ 417,336	\$ 503,340

2018	Cost	Market Value
Equity Funds	\$ 291,120	\$ 304,910
Bond Funds	46,155	45,665
Hedge Funds	65,364	62,450
Tangible Asset Funds	22,463	19,518
TOTAL INVESTMENTS	\$ 425,102	\$ 432,543

Unrealized gain on marketable securities at December 31, 2019 and 2018 was \$86,003 and \$7,440, 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 I inputs). There were no changes in valuation techniques in the year ended December 31, 2019. 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, 2019.

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, 2019 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Marketable Securities	\$ 503,340
TOTAL INVESTMENTS	503,340

Investment return for the year ended December 31, 2019 is summarized as follows:

Interest and dividend income	11,632
Net realized and unrealized losses	
On investments carried at fair value	13,149
TOTAL UNRESTRICTED INVESTMENT INCOME	\$ 24,781

NOTE D – FIXED ASSETS

Fixed assets consist of the following at December 31:

	2019	2018
Capitalized new building development costs	\$ 2,937,036	\$ 1,821,368
Library Building	13,409	13,409
TOTAL FIXED ASSETS	2,950,445	1,834,777
Less: Accumulated depreciation	(29,098)	(13,409)
FIXED ASSETS, NET	\$ 2,921,347	\$ 1,821,368

Depreciation expense for the years ended December 31, 2019 and 2018 was \$15,689 and \$0, respectively. The new library building was completed in October of 2019 and depreciation was taken.

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

NOTE E – FINANCING ACTIVITIES

In June 2019 the Library entered into a line of credit agreement with an anonymous donor of \$100,000. The line was made available to complete the building renovation. The full amount was drawn down on June 24, 2019 and was outstanding as of December 31, 2019. The line bears a less than 1% (\$575) interest rate payable each year the line is outstanding. The full line of credit ends on December 31, 2020.

NOTE F - NET ASSETS

Donor restricted net assets consist of donations and grants to the Library designated for the new building renovation capital project. \$166,858 has been restricted to pay the line of credit and outstanding amounts owed in relation to the building renovation.

Permanently restricted net assets consist of an endowment of \$10,000 held in trust for the Library with all income paid out for use in its general operations. This amount is in donor restricted net assets.

NOTE G - CONTRIBUTED SERVICES & USE OF FACILITIES

In 2019, 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 2018, 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 H -SPECIAL FUND-RAISING EVENTS

Special event income, net consists of the following for the years:

	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Received</u>
December 31, 2019	\$ 17,818	\$ 4,101	\$ 13,717
December 31, 2018	\$ 16,249	\$ 4,498	\$ 11,751

NOTE I -PURCHASE OFNEW 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 opened and occupied the building in October 2019.

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

NOTE J - SUBSEQUENT EVENTS

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through September 30, 2020, the date the financial statements were available to be issued. The organization had the following subsequent events:

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S., accelerating during the first half of March, as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. This situation is rapidly changing and additional impacts may arise that we are not aware of currently. While the disruption is expected to be temporary, there is uncertainty around the duration.