

*MILLBROOK LIBRARY
FINANCIAL STATEMENTS*

DECEMBER 31, 2017 AND 2016

MILLBROOK LIBRARY
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Millbrook Library

We have audited the accompanying financial statements of Millbrook Library (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 audits 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 Millbrook Library as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
April 12, 2018

MILLBROOK LIBRARY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 473,511	\$ 476,618
Investments	252,496	223,734
Prepaid Expenses	<u>3,966</u>	<u>5,602</u>
Total Current Assets	729,973	705,954
Property and Equipment, Net	1,880,799	1,788,522
Assets Restricted as to Use	<u>6,656,090</u>	<u>6,150,494</u>
Total Assets	<u>\$ 9,266,862</u>	<u>\$ 8,644,970</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	<u>\$ 10,722</u>	<u>\$ 9,531</u>
Net Assets		
Without Donor Restrictions - Investment in Capital Assets	1,880,799	1,788,522
Without Donor Restrictions - Operating	531,651	512,031
With Donor Restrictions	<u>6,843,690</u>	<u>6,334,886</u>
Total Net Assets	<u>9,256,140</u>	<u>8,635,439</u>
Total Liabilities and Net Assets	<u>\$ 9,266,862</u>	<u>\$ 8,644,970</u>

MILLBROOK LIBRARY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and Reclassifications			
Real Property Taxes	\$ 206,252	\$ -	\$ 206,252
Donations	3,229	169,647	172,876
Grants	61,168	-	61,168
Library Charges	9,750	-	9,750
Investment Income	34,988	648,697	683,685
Net Assets Released from Restrictions	<u>309,540</u>	<u>(309,540)</u>	<u>-</u>
 Total Revenues and Reclassifications	 <u>624,927</u>	 <u>508,804</u>	 <u>1,133,731</u>
Expenditures			
Salaries	205,720	-	205,720
Payroll Taxes	17,002	-	17,002
Employee Benefits	26,460	-	26,460
Depreciation	80,677	-	80,677
Utilities	24,077	-	24,077
Buildings and Grounds	47,720	-	47,720
Collection Development	30,403	-	30,403
Insurance	14,928	-	14,928
Mid-Hudson Library Fees	6,797	-	6,797
Programs	15,030	-	15,030
Professional Fees	17,179	-	17,179
Office	8,246	-	8,246
Communications	3,504	-	3,504
Conferences and Meetings	2,567	-	2,567
Public Relations	1,275	-	1,275
Fundraising	<u>11,445</u>	<u>-</u>	<u>11,445</u>
 Total Expenditures	 <u>513,030</u>	 <u>-</u>	 <u>513,030</u>
 Change in Net Assets	 111,897	 508,804	 620,701
 Net Assets, Beginning of Year	 <u>2,300,553</u>	 <u>6,334,886</u>	 <u>8,635,439</u>
 Net Assets, End of Year	 <u>\$ 2,412,450</u>	 <u>\$ 6,843,690</u>	 <u>\$ 9,256,140</u>

MILLBROOK LIBRARY
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and Reclassifications			
Real Property Taxes	\$ 204,128	\$ -	\$ 204,128
Donations	24,775	66,130	90,905
Grants	35,729	-	35,729
Library Charges	10,682	-	10,682
Investment Income	16,628	501,642	518,270
Net Assets Released from Restrictions	<u>184,354</u>	<u>(184,354)</u>	<u>-</u>
 Total Revenues and Reclassifications	 <u>476,296</u>	 <u>383,418</u>	 <u>859,714</u>
Expenditures			
Salaries	197,190	-	197,190
Payroll Taxes	16,708	-	16,708
Employee Benefits	27,612	-	27,612
Depreciation	78,742	-	78,742
Utilities	23,595	-	23,595
Buildings and Grounds	30,472	-	30,472
Collection Development	29,332	-	29,332
Insurance	15,693	-	15,693
Mid-Hudson Library Fees	6,587	-	6,587
Programs	13,372	-	13,372
Professional Fees	15,912	-	15,912
Office	9,349	-	9,349
Communications	3,387	-	3,387
Conferences and Meetings	3,805	-	3,805
Public Relations	828	-	828
Fundraising	<u>3,448</u>	<u>-</u>	<u>3,448</u>
 Total Expenditures	 <u>476,032</u>	 <u>-</u>	 <u>476,032</u>
 Change in Net Assets	 264	 383,418	 383,682
 Net Assets, Beginning of Year	 <u>2,300,289</u>	 <u>5,951,468</u>	 <u>8,251,757</u>
 Net Assets, End of Year	 <u>\$ 2,300,553</u>	 <u>\$ 6,334,886</u>	 <u>\$ 8,635,439</u>

MILLBROOK LIBRARY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 620,701	\$ 383,682
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	80,677	78,742
Unrealized Gain on Investments	(256,583)	(362,733)
Increase in Operating Assets		
Prepaid Expense	1,636	(644)
Decrease in Operating Liabilities		
Accounts Payable and Accrued Expenses	<u>1,191</u>	<u>193</u>
Net Cash Provided By Operating Activities	<u>447,622</u>	<u>99,240</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(96,064)	(1,969)
Increase in Assets Restricted as to Use	(181,711)	(8,706)
Purchase of Property and Equipment	<u>(172,954)</u>	<u>(5,498)</u>
Net Cash Used In Investing Activities	<u>(450,729)</u>	<u>(16,173)</u>
Net Increase (Decrease) in Cash	(3,107)	83,067
Cash, Beginning of Year	<u>476,618</u>	<u>393,551</u>
Cash, End of Year	<u>\$ 473,511</u>	<u>\$ 476,618</u>

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Milbrook Library (the “Library”) is a nonprofit library established in 1901. The mission of the library is to be a dynamic lifelong learning center that provides free and open access to ideas and information for our community. The Library is affiliated with the Mid-Hudson Library System.

Basis of Accounting

The financial statements of the Library have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Investments

Investment are comprised of securities and are carried at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Library that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Fair Value

The Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants. The guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash, prepaid expenses, accounts payable and accrued expenses - The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments - Investments are stated at fair value determined using quoted prices in active markets for identical assets (Level 1), see notes 2 and 4.

Property and Equipment - No attempts have been made to determine the fair value of property and equipment.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The Library has not recognized any benefits or liabilities from uncertain tax positions in 2017 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets. Generally, federal and state authorities may examine the Organization's tax returns for three years from the date of filing; consequently, tax returns for the years prior to 2014 are no longer subject to examination by tax authorities.

Subsequent Events

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through April 12, 2018, the date the financial statements were available to be issued. No such events or transactions were identified.

2. INVESTMENTS

Investments at fair value determined using quoted prices in active markets for identical assets (Level 1) were as follows:

	<u>Fair Value</u>	<u>December 31, 2017</u> <u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 226,295	\$ 226,295	\$ -
Corporate Bonds	<u>26,201</u>	<u>25,093</u>	<u>1,108</u>
	<u>\$ 252,496</u>	<u>\$ 251,388</u>	<u>\$ 1,108</u>

	<u>Fair Value</u>	<u>December 31, 2016</u> <u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 6,073	\$ 6,073	\$ -
Equities	150,533	82,660	67,873
Corporate Bonds	26,612	25,091	1,521
Mutual Funds - Fixed Income	<u>40,516</u>	<u>41,500</u>	<u>(984)</u>
	<u>\$ 223,734</u>	<u>\$ 155,324</u>	<u>\$ 68,410</u>

2. INVESTMENTS (CONTINUED)

Investment income was comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 9,585	\$ 6,865
Realized Gain on Sale of Securities	94,879	657
Unrealized Gain (Loss) on Securities Held	(67,302)	11,280
Investment Fees	<u>(2,174)</u>	<u>(2,174)</u>
	<u>\$ 34,988</u>	<u>\$ 16,628</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 13,500	\$ 13,500
Building and Improvements	2,767,909	2,658,494
Furniture and Equipment	<u>128,989</u>	<u>65,451</u>
Total at Cost	2,910,398	2,737,445
Accumulated Depreciation	<u>(1,029,599)</u>	<u>(948,923)</u>
Property and Equipment, Net	<u>\$ 1,880,799</u>	<u>\$ 1,788,522</u>

Depreciation expense was \$80,677 and \$78,742 for the years ended December 31, 2017 and 2016, respectively.

4. ASSETS RESTRICTED AS TO USE

Assets restricted as to use consist of a bank administered charitable trust for the benefit of the Library established in 1929. The trustee makes annual distributions to the Library approximately equal to the investment income earned by the Trust. Distributions to the Library were \$143,102 and \$141,483 for the years ended December 31, 2017 and 2016, respectively. The Library has no access to any funds held by the trust other than the distributions of investment income.

MILLBROOK LIBRARY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017 AND 2016

4. ASSETS RESTRICTED AS TO USE (CONTINUED)

Investments held by the Trust, at fair value determined using quoted prices in active markets for identical assets (Level 1) were as follows at December 31, 2017 and 2016:

	<u>December 31, 2017</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 497,620	\$ 497,620	\$ -
Equities	4,669,624	2,562,223	2,107,401
Corporate Bonds	853,808	858,693	(4,885)
U.S. Government Notes/Bonds	61,169	52,844	8,325
Mutual Funds - Fixed Income	<u>573,869</u>	<u>594,014</u>	<u>(20,145)</u>
	<u>\$ 6,656,090</u>	<u>\$ 4,565,394</u>	<u>\$ 2,090,696</u>

	<u>December 31, 2016</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 164,055	\$ 164,055	\$ -
Equities	4,500,299	2,711,769	1,788,530
Corporate Bonds	854,523	859,861	(5,338)
U.S. Government Notes/Bonds	61,174	53,984	7,190
Mutual Funds - Fixed Income	<u>570,443</u>	<u>594,014</u>	<u>(23,571)</u>
	<u>\$ 6,150,494</u>	<u>\$ 4,383,683</u>	<u>\$ 1,766,811</u>

Investment income from the Trust was comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 165,906	\$ 169,151
Realized Gain on Sale of Securities	181,700	2,642
Unrealized Gain on Securities Held	323,885	351,453
Investment Fees	<u>(22,794)</u>	<u>(21,604)</u>
	<u>\$ 648,697</u>	<u>\$ 501,642</u>

5. RESTRICTED NET ASSETS

Restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted Net Assets	\$ 187,600	\$ 184,392
Permanently Restricted Net Assets (Note 4)	<u>6,656,090</u>	<u>6,150,494</u>
	<u>\$ 6,843,690</u>	<u>\$ 6,334,886</u>

5. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets had the following activity for the year:

	Balance		Released	
	<u>1/1/17</u>	Restricted	from	Balance
		Contributions	Restrictions	<u>12/31/17</u>
Capital Improvements				
Non-Fiction Room	\$ 120,491	\$ 52,195	\$ 113,857	\$ 58,829
Capital Improvement Porch and Gallery	-	75,000	-	75,000
Technology Upgrades	25,000	-	6,647	18,353
Program	26,963	4,049	10,903	20,109
Collection Development	5,308	30,000	29,425	5,883
Other	<u>6,630</u>	<u>8,403</u>	<u>5,607</u>	<u>9,426</u>
	<u>\$ 184,392</u>	<u>\$ 169,647</u>	<u>\$ 166,439</u>	<u>\$ 187,600</u>

	Balance		Released	
	<u>1/1/16</u>	Restricted	from	Balance
		Contributions	Restrictions	<u>12/31/16</u>
Capital Improvements				
Non-Fiction Room	\$ 125,000	\$ -	\$ 4,509	\$ 120,491
Technology Upgrades	-	25,000	-	25,000
Program	31,129	4,500	8,666	26,963
Collection Development	4,640	30,000	29,332	5,308
Other	<u>364</u>	<u>6,630</u>	<u>364</u>	<u>6,630</u>
	<u>\$ 161,133</u>	<u>\$ 66,130</u>	<u>\$ 42,871</u>	<u>\$ 184,392</u>

6. RETIREMENT PLAN

The Library will match up to 5% of gross salaries of its eligible employees through a 403(b) plan. The employer contribution was \$5,130 and \$5,034 for the years ended December 31, 2017 and 2016, respectively.

7. FUNCTIONAL EXPENSES

Total expenses by function were as follows:

	<u>2017</u>	<u>2016</u>
Program	\$ 432,166	\$ 406,826
Management and General	65,497	63,227
Fundraising	<u>15,367</u>	<u>5,979</u>
	<u>\$ 513,030</u>	<u>\$ 476,032</u>

8. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Library to concentration of credit risk consist primarily of cash in a financial institution. Cash held in a financial institution exceeded Federal Deposit Insurance Corporation limits by \$279,340 at December 31, 2017.