

*MILLBROOK LIBRARY
FINANCIAL STATEMENTS*

DECEMBER 31, 2019 AND 2018

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FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Millbrook Library
Millbrook, New York

We have audited the accompanying financial statements of Millbrook Library (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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, 2019 and 2018, 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
June 15, 2020

MILLBROOK LIBRARY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 635,125	\$ 591,401
Investments	391,782	332,875
Prepaid Expenses	<u>2,505</u>	<u>3,863</u>
Total Current Assets	1,029,412	928,139
Property and Equipment, Net	1,752,661	1,832,981
Assets Restricted as to Use	<u>7,538,524</u>	<u>6,301,810</u>
Total Assets	<u>\$ 10,320,597</u>	<u>\$ 9,062,930</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable and Accrued Expenses	<u>\$ 7,774</u>	<u>\$ 10,449</u>
Net Assets		
Without Donor Restrictions - Investment in Capital Assets	1,752,661	1,832,981
Without Donor Restrictions - Operating	861,498	770,548
With Donor Restrictions	<u>7,698,664</u>	<u>6,448,952</u>
Total Net Assets	<u>10,312,823</u>	<u>9,052,481</u>
Total Liabilities and Net Assets	<u>\$ 10,320,597</u>	<u>\$ 9,062,930</u>

MILLBROOK LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and Reclassifications			
Real Property Taxes	\$ 208,910	\$ -	\$ 208,910
Donations	40,043	33,000	73,043
Grants	4,419	5,880	10,299
Library Charges	6,848	-	6,848
Investment Returns	65,606	1,400,461	1,466,067
Net Assets Released from Restrictions	<u>189,629</u>	<u>(189,629)</u>	<u>-</u>
 Total Revenues and Reclassifications	 <u>515,455</u>	 <u>1,249,712</u>	 <u>1,765,167</u>
Expenditures			
Salaries	216,367	-	216,367
Payroll Taxes	17,199	-	17,199
Employee Benefits	22,792	-	22,792
Depreciation	92,770	-	92,770
Utilities	25,540	-	25,540
Buildings and Grounds	36,514	-	36,514
Collection Development	23,122	-	23,122
Insurance	13,783	-	13,783
Mid-Hudson Library Fees	6,718	-	6,718
Program Expenses	13,832	-	13,832
Professional Fees	18,339	-	18,339
Office	7,970	-	7,970
Communications	3,885	-	3,885
Conferences and Meetings	31	-	31
Public Relations	1,412	-	1,412
Fundraising	<u>4,551</u>	<u>-</u>	<u>4,551</u>
 Total Expenditures	 <u>504,825</u>	 <u>-</u>	 <u>504,825</u>
 Change in Net Assets	 10,630	 1,249,712	 1,260,342
 Net Assets, Beginning of Year	 <u>2,603,529</u>	 <u>6,448,952</u>	 <u>9,052,481</u>
 Net Assets, End of Year	 <u>\$ 2,614,159</u>	 <u>\$ 7,698,664</u>	 <u>\$ 10,312,823</u>

MILLBROOK LIBRARY
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and Reclassifications			
Real Property Taxes	\$ 207,337	\$ -	\$ 207,337
Donations	261,746	10,500	272,246
Grants	15,918	-	15,918
Library Charges	8,478	-	8,478
Investment Returns	(15,501)	(203,855)	(219,356)
Net Assets Released from Restrictions	<u>201,383</u>	<u>(201,383)</u>	<u>-</u>
 Total Revenues and Reclassifications	 <u>679,361</u>	 <u>(394,738)</u>	 <u>284,623</u>
Expenditures			
Salaries	200,596	-	200,596
Payroll Taxes	16,182	-	16,182
Employee Benefits	26,272	-	26,272
Depreciation	94,364	-	94,364
Utilities	29,522	-	29,522
Buildings and Grounds	32,009	-	32,009
Collection Development	28,505	-	28,505
Insurance	13,101	-	13,101
Mid-Hudson Library Fees	6,852	-	6,852
Program Expenses	9,218	-	9,218
Professional Fees	13,038	-	13,038
Office	8,537	-	8,537
Communications	3,446	-	3,446
Conferences and Meetings	1,570	-	1,570
Public Relations	721	-	721
Fundraising	<u>4,349</u>	<u>-</u>	<u>4,349</u>
 Total Expenditures	 <u>488,282</u>	 <u>-</u>	 <u>488,282</u>
 Change in Net Assets	 191,079	 (394,738)	 (203,659)
 Net Assets, Beginning of Year	 <u>2,412,450</u>	 <u>6,843,690</u>	 <u>9,256,140</u>
 Net Assets, End of Year	 <u>\$ 2,603,529</u>	 <u>\$ 6,448,952</u>	 <u>\$ 9,052,481</u>

MILLBROOK LIBRARY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,260,342	\$ (203,659)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Non-Cash Contribution of Investments	-	(100,104)
Depreciation	92,770	94,364
Unrealized (Gain) Loss on Investments	(51,905)	29,534
(Increase) Decrease in Operating Assets		
Prepaid Expense	1,358	103
Assets Restricted as to Use	(1,236,714)	354,280
Decrease in Operating Liabilities		
Accounts Payable and Accrued Expenses	<u>(2,675)</u>	<u>(273)</u>
Net Cash Provided By Operating Activities	<u>63,176</u>	<u>174,245</u>
Cash Flows from Investing Activities:		
Proceed from Sale of Investments	66,996	34,125
Purchase of Investments	(73,998)	(43,934)
Purchase of Property and Equipment	<u>(12,450)</u>	<u>(46,546)</u>
Net Cash Used In Investing Activities	<u>(19,452)</u>	<u>(56,355)</u>
Net Increase in Cash	43,724	117,890
Cash, Beginning of Year	<u>591,401</u>	<u>473,511</u>
Cash, End of Year	<u>\$ 635,125</u>	<u>\$ 591,401</u>

MILLBROOK LIBRARY

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019			December 31, 2018				
	Total	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising
Salaries	\$ 216,367	\$ 168,704	\$ 44,593	\$ 3,070	\$ 200,596	\$ 155,813	\$ 41,887	\$ 2,896
Payroll Taxes	17,199	13,410	3,545	244	16,182	12,570	3,379	233
Employee Benefits	22,792	17,771	4,697	324	26,272	20,408	5,486	378
Depreciation	92,770	88,131	4,639	-	94,364	89,646	4,718	-
Utilities	25,540	24,263	1,277	-	29,522	28,046	1,476	-
Building and Grounds	36,514	34,688	1,826	-	32,009	30,409	1,600	-
Collection Development	23,122	23,122	-	-	28,505	28,505	-	-
Insurance	13,783	13,094	689	-	13,101	12,446	655	-
Mid-Hudson Library Fees	6,718	6,718	-	-	6,852	6,852	-	-
Program Expenses	13,832	13,832	-	-	9,218	9,218	-	-
Professional Fees	18,339	14,299	3,780	260	13,038	10,128	2,722	188
Office	7,970	6,214	1,643	113	8,537	6,631	1,783	123
Communications	3,885	3,029	801	55	3,446	2,676	720	50
Conferences and Meetings	31	24	6	1	1,570	1,219	328	23
Public Relations	1,412	1,412	-	-	721	721	-	-
Fundraising	4,551	-	-	4,551	4,349	-	-	4,349
Total	\$ 504,825	\$ 428,711	\$ 67,496	\$ 8,618	\$ 488,282	\$ 415,288	\$ 64,754	\$ 8,240

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Millbrook 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 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 net assets with donor restrictions to net assets without donor restrictions 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in purpose or perpetuity restricted net assets depending on the nature of the restrictions. When a restriction expires, purpose restricted net assets are reclassified to net assets without donor restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to program, management and general and fundraising. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits, when requiring allocation are based on estimates of time and effort, occupancy and other expenses not directly charged are allocated using acceptable methods.

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

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.

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 Library 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 2019 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 2016 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 June 15, 2020, the date the financial statements were available to be issued.

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, 2019</u>	
		<u>Cost</u>	<u>Unrealized Gain</u>
Cash	\$ 18,574	\$ 18,574	\$ -
Corporate Bonds	26,229	25,206	1,023
Mutual Funds - Equity	265,598	245,420	20,178
Mutual Funds - Fixed Income	81,381	79,103	2,278
	<u>\$ 391,782</u>	<u>\$ 368,303</u>	<u>\$ 23,479</u>

	<u>Fair Value</u>	<u>December 31, 2018</u>	
		<u>Cost</u>	<u>Unrealized Loss</u>
Cash	\$ 18,451	\$ 18,451	\$ -
Corporate Bonds	40,155	40,295	(140)
Mutual Funds - Equity	190,738	217,325	(26,587)
Mutual Funds - Fixed Income	83,531	85,230	(1,699)
	<u>\$ 332,875</u>	<u>\$ 361,301</u>	<u>\$ (28,426)</u>

MILLBROOK LIBRARY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019 AND 2018

2. INVESTMENTS (CONTINUED)

Investment returns were comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 17,877	\$ 19,150
Realized Loss on Sale of Securities	(460)	(1,696)
Unrealized Gain (Loss) on Securities Held	51,905	(29,534)
Investment Fees	<u>(3,716)</u>	<u>(3,421)</u>
	<u>\$ 65,606</u>	<u>\$ (15,501)</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 13,500	\$ 13,500
Building and Improvements	2,794,982	2,794,982
Furniture and Equipment	<u>160,912</u>	<u>148,462</u>
Total at Cost	2,969,394	2,956,944
Accumulated Depreciation	<u>(1,216,733)</u>	<u>(1,123,963)</u>
Property and Equipment, Net	<u>\$ 1,752,661</u>	<u>\$ 1,832,981</u>

Depreciation expense was \$92,770 and \$94,364 for the years ended December 31, 2019 and 2018, 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 \$163,747 and \$150,425 for the years ended December 31, 2019 and 2018, respectively, which are reflected in net assets released from restrictions on the statement of activities. 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, 2019 AND 2018

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, 2019 and 2018:

		<u>December 31, 2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 251,601	\$ 251,601	\$ -
Equities	5,122,680	2,515,237	2,607,443
Corporate Bonds	1,346,163	1,317,625	28,538
U.S. Government Notes/Bonds	1,789	1,660	129
Mutual Funds - Equity	409,848	400,464	9,384
Mutual Funds - Fixed Income	406,443	413,312	(6,869)
	<u>\$ 7,538,524</u>	<u>\$ 4,899,899</u>	<u>\$ 2,638,625</u>

		<u>December 31, 2018</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 216,942	\$ 216,942	\$ -
Equities	4,206,720	2,547,606	1,659,114
Corporate Bonds	985,144	1,009,379	(24,235)
U.S. Government Notes/Bonds	61,460	51,696	9,764
Mutual Funds - Equity	349,326	400,464	(51,138)
Mutual Funds - Fixed Income	482,218	513,781	(31,563)
	<u>\$ 6,301,810</u>	<u>\$ 4,739,868</u>	<u>\$ 1,561,942</u>

Investment returns from the Trust were comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividend Income	\$ 189,127	\$ 172,660
Realized Gain on Sale of Securities	160,471	174,963
Unrealized Gain (Loss) on Securities Held	1,076,683	(528,753)
Investment Fees	(25,820)	(22,725)
	<u>\$ 1,400,461</u>	<u>\$ (203,855)</u>

5. RESTRICTED NET ASSETS

Restricted net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Purpose Restricted Net Assets	\$ 160,140	\$ 147,142
Perpetually Restricted Net Assets (Note 4)	7,538,524	6,301,810
	<u>\$ 7,698,664</u>	<u>\$ 6,448,952</u>

MILLBROOK LIBRARY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019 AND 2018

5. RESTRICTED NET ASSETS (CONTINUED)

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

	<u>Balance</u> <u>1/1/19</u>	<u>Restricted</u> <u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/19</u>
Capital Improvements				
Non-Fiction Room	\$ 22,507	\$ 5,880	\$ -	\$ 28,387
Capital Improvement Porch and				
Gallery	75,000	-	-	75,000
Technology Upgrades	17,475	-	-	17,475
Collection Development	9,474	30,000	25,219	14,255
Other	<u>22,686</u>	<u>3,000</u>	<u>663</u>	<u>25,023</u>
	<u>\$ 147,142</u>	<u>\$ 38,880</u>	<u>\$ 25,882</u>	<u>\$ 160,140</u>

	<u>Balance</u> <u>1/1/18</u>	<u>Restricted</u> <u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/18</u>
Capital Improvements				
Non-Fiction Room	\$ 58,829	\$ -	\$ 36,322	\$ 22,507
Capital Improvement Porch and				
Gallery	75,000	-	-	75,000
Technology Upgrades	18,353	-	878	17,475
Collection Development	5,883	10,000	6,409	9,474
Other	<u>29,535</u>	<u>500</u>	<u>7,349</u>	<u>22,686</u>
	<u>\$ 187,600</u>	<u>\$ 10,500</u>	<u>\$ 50,958</u>	<u>\$ 147,142</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 \$1,230 and \$4,220 for the years ended December 31, 2019 and 2018, respectively.

7. LIQUIDITY

The Library's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

7. LIQUIDITY (CONTINUED)

The Library has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, liabilities and other obligations of:

	<u>2019</u>	<u>2018</u>
Cash	\$ 635,125	\$ 591,401
Investments	391,782	332,875
Less: Purpose Restricted Net Assets	<u>(160,140)</u>	<u>(147,142)</u>
Net Financial Assets Available to Meet		
Cash Needs within One Year	<u>\$ 866,767</u>	<u>\$ 777,134</u>

None of the net financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

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 approximately \$215,000 at December 31, 2019.

9. SUBSEQUENT EVENT

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Library and its future financial position and results of operations is not presently determinable in the long term, but certainly in the short term the fair value of investments and assets restricted as to use may have declined significantly.