

**CLAVERACK FREE LIBRARY AND READING
ROOM ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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Certified Public Accountant
Susan G Baer, CPA PC

60 Garage Place Rd.
Ghent, NY 12075
Telephone: 518-822-1673
Fax: 518-392-6833
www.Northeastcpa.com

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, 2018, 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, 2018, 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
October 7th, 2019

CLAVERACK FREE LIBRARY AND READING ROOM ASSOCIATION, INC.
 STATEMENTS OF ASSETS, LIABILITIES AND
 NET ASSETS (INCOME TAX BASIS)
 December 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 245,817	\$ 266,923
Accounts Receivable	112,432	18,692
Pledges Receivable	4,000	9,000
Prepaid Expenses	<u>7,163</u>	<u>882</u>
TOTAL CURRENT ASSETS	\$ 369,412	\$ 295,497
Marketable Securities, at Fair Market Value	432,542	485,106
Fixed Assets, Net of Depreciation of \$13,409	<u>1,821,368</u>	<u>1,488,868</u>
TOTAL ASSETS	<u>\$ 2,623,323</u>	<u>\$ 2,269,470</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,683	\$ 30,923
Accrued Expenses	5,000	5,000
Payroll Taxes and Withholdings Payable	<u>1,169</u>	<u>1,327</u>
TOTAL LIABILITIES	<u>\$ 10,852</u>	<u>\$ 37,250</u>
 NET ASSETS		
Unrestricted	\$ 1,377,641	\$ 1,404,511
Temporarily Restricted	1,224,830	817,709
Permanently Restricted	<u>10,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>\$ 2,612,471</u>	<u>\$ 2,232,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,623,323</u>	<u>\$ 2,269,470</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, 2018

	2018	2017
UNRESTRICTED NET ASSETS		
Grants:		
Government Grants	\$ 70,693	\$ 70,046
Other Grants	22,552	18,692
Donations:		
General	12,684	12,433
Contributed Services	2,633	1,695
Special Fundraising Events, Net	13,989	11,499
Other Revenue:		
Net Realized Gains (Losses) on Investments	(47,406)	111,674
Investment Income	10,084	9,173
Miscellaneous income	2,889	2,859
TOTAL SUPPORT AND REVENUE	\$ 88,118	\$ 238,072
Expenses:		
Program Services	87,207	87,808
General & Administrative Expenses	23,466	20,316
Fundraising Expenses	4,316	4,530
TOTAL EXPENSES	\$ 114,989	\$ 112,654
INCREASE IN UNRESTRICTED NET ASSETS	\$ (26,871)	\$ 125,418
 TEMPORARILY RESTRICTED NET ASSETS		
Government Grant for New Building Project	379,721	84,913
Special Fundraising Events, Net	(272)	252
Contributions, Other	27,672	54,484
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	\$ 407,121	\$ 139,649
INCREASE IN NET ASSETS	\$ 380,251	\$ 265,067
NET ASSETS AT BEGINNING OF YEAR	2,232,220	1,967,153
NET ASSETS AT END OF YEAR	\$ 2,612,471	\$ 2,232,220

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

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

	LIBRARY PROGRAM	MANAGEMENT GENERAL	FUNDRAISING	TOTAL
Payroll	\$ 38,415	\$ 7,591	\$ -	\$ 46,006
Program Expense	22,990	1,210	-	24,200
Occupancy	10,053	-	-	10,053
Professional Fees	-	6,135	-	6,135
Office and Library Supplies	5,663	-	-	5,663
Mid Hudson Library Fees	5,640	-	-	5,640
Insurance	-	4,768	-	4,768
Fundraising Expenses	-	-	4,316	4,316
Payroll Taxes	3,105	614	-	3,719
Bank and Credit Card Charges	-	3,034	-	3,034
Telephone	764	-	-	764
Employee Benefit	577	114	-	691
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 87,207</u>	<u>\$ 23,466</u>	<u>\$ 4,316</u>	<u>\$ 114,989</u>

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, 2018

<u>Cash Flows From Operating Activities:</u>	<u>Unrestricted</u>
Change in Net Assets	\$ 380,253
Adjustments to Reconcile Change in Net Assets	
To Net Cash provided (Used) By Operating Activities:	
(Increase) in PrePaid Expenses	(6,281)
(Increase) in Accounts Receivable	(93,740)
(Increase) in Accounts Payable	(26,241)
(Decrease) in Taxes Payable	(159)
Decrease in Pledges Receivable	<u>5,000</u>
Net Cash Provided (Used) by Operating Activities	258,832
Adjustments to Reconcile Change in Net Assets	
<u>To Net Cash provided (Used) By Investing Activities:</u>	
Investment into New Library Building	(332,501)
Investment Valuation Adjustment to Fair Market Value	77,236
Increase in Marketable Securities	<u>(24,673)</u>
Net Cash Provided (Used) by Investing Activities	<u>(279,938)</u>
Total Adjustments:	(21,106)
Cash at Beginning of Year	<u>266,923</u>
Cash at End of Year	<u><u>\$ 245,817</u></u>

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, 2018 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 2016, 2017, and 2018, 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:

	2018	2017
Cash on hand	\$ 80	\$ 80
Checking Accounts	235,468	251,714
Cash in brokerage accounts	10,196	15,117
Money market accounts	0	12
TOTAL CASH AND CASH EQUIVALENTS	\$ 245,744	\$ 266,923

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:

	COST	MARKET VALUE
December 31, 2018		
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	\$ 400,430	\$ 432,543

	COST	MARKET VALUE
December 31, 2017		
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

Unrealized gain on marketable securities at December 31, 2018 and 2017 was \$7,440 and \$84,676, 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, 2018. 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, 2018.

NOTE C - MARKETABLE SECURITIES (CONTINUED)

Fair value measurements for investments reported at fair value on a recurring basis at December 31, 2018 are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
Marketable Securities	\$	432,542
TOTAL INVESTMENTS	\$	432,542

Investment return for the year ended December 31, 2018 is summarized as follows:

Interest and dividend income	\$	10,084
Net realized and unrealized losses On investments carried at fair value		<u>29,832</u>
TOTAL UNRESTRICTED INVESTMENT INCOME	\$	<u>39,916</u>

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2018	2017
Capitalized new building development costs	\$ 1,821,368	\$ 1,488,868
Library Building	<u>13,409</u>	<u>13,409</u>
TOTAL FIXED ASSETS	\$ 1,834,777	\$ 1,502,277
Less: Accumulated depreciation	<u>13,409</u>	<u>13,409</u>
FIXED ASSETS, NET	<u>\$ 1,821,368</u>	<u>\$ 1,488,868</u>

Depreciation expense for the years ended December 31, 2018 and 2017 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.

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

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 2018, 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 2017, 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, 2018		
	GROSS REVENUE	EXPENSES	NET RECEIVED
Special Event	\$ 0	\$ 272	\$ -272
Spring Festival	8,491	1,452	7,039
Fall Festival	9,327	2,377	6,950
	<hr/>	<hr/>	<hr/>
SPECIAL EVENTS, NET	\$ 17,818	\$ 4,101	\$ 13,717

	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

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 October 7, 2019, 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.