

THE NEW HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS

**Year ended December 31, 2007
With comparative totals for 2006**

THE NEW HARTFORD PUBLIC LIBRARY

TABLE OF CONTENTS

	<u>Page</u>
ACCOUNTANTS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9
OTHER FINANCIAL INFORMATION	
Schedule of Functional Expenses	10

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To the Board of Trustees
The New Hartford Public Library
New Hartford, New York

We have reviewed the accompanying statements of financial position of The New Hartford Public Library (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the year ended December 31, 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The New Hartford Public Library. The prior year summarized comparative information has been derived from the organization's 2006 reviewed financial statements and, in our report dated October 19, 2007, we stated that, with the exception of the matter described in the fourth paragraph, we were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As disclosed in Note 3 to the financial statements, generally accepted accounting principles require that property and equipment and exhaustible collections costs be capitalized and depreciated over the estimated useful lives of the assets. The accompanying financial statements do not reflect the proper cost basis or accumulated depreciation of all property and equipment and exhaustible collections costs. The effects of this departure from generally accepted accounting principles on the accompanying financial statements has not been determined.

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedule of Functional Expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Gruver, Zweifel & Scott, LLP

Clinton, New York
September 17, 2008

MEMBERS: American Institute of Certified Public Accountants, New York State Society of Certified Public Accountants
National Conference of CPA Practitioners

THE NEW HARTFORD PUBLIC LIBRARY

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 182,852	\$ 187,864
Cash - Donor restricted	71,800	751,788
Accounts receivable	666	666
Contributions receivable	46,918	115,564
Prepaid expenses	<u>11,841</u>	<u>7,958</u>
Total current assets	314,077	1,063,840
Property and equipment, net	2,842,079	1,711,257
Contributions receivable, noncurrent	<u>26,883</u>	<u>73,801</u>
Total assets	<u>\$ 3,183,039</u>	<u>\$ 2,848,898</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 55,795	\$ 1,329
Accrued expenses	28,449	23,288
Unearned revenue	<u>-</u>	<u>263</u>
Total current liabilities	<u>84,244</u>	<u>24,880</u>
Net assets:		
Unrestricted:		
Board designated	94,500	94,500
Undesignated	<u>2,906,194</u>	<u>1,788,365</u>
Total unrestricted net assets	3,000,694	1,882,865
Temporarily restricted	<u>98,101</u>	<u>941,153</u>
Total net assets	<u>3,098,795</u>	<u>2,824,018</u>
Total liabilities and net assets	<u>\$ 3,183,039</u>	<u>\$ 2,848,898</u>

See accompanying notes and accountants' report.

THE NEW HARTFORD PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year ended December 31, 2007
With comparative totals for 2006

	Unrestricted	Temporarily Restricted	Total All Funds	
			2007	2006
Revenues and other support:				
Town allocation	\$ 474,000	\$ -	\$ 474,000	\$ 446,000
County funds	155,256	-	155,256	52,550
Local library service aid	6,739	-	6,739	6,739
Fines and fees	42,240	-	42,240	42,526
Interest income	3,795	17,405	21,200	42,296
Contributions	3,232	124,578	127,810	362,324
Grants	263	64,757	65,020	154,173
Miscellaneous income	9,067	1,866	10,933	4,882
Special events	2,469	-	2,469	1,284
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>1,051,658</u>	<u>(1,051,658)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,748,719</u>	<u>(843,052)</u>	<u>905,667</u>	<u>1,112,774</u>
Expenses:				
Program services	487,488	-	487,488	448,162
Management and general	130,975	-	130,975	123,475
Fundraising	12,427	-	12,427	9,273
Total expenses	<u>630,890</u>	<u>-</u>	<u>630,890</u>	<u>580,910</u>
Change in net assets	<u>1,117,829</u>	<u>(843,052)</u>	<u>274,777</u>	<u>531,864</u>
Net assets, beginning of year	<u>1,882,865</u>	<u>941,153</u>	<u>2,824,018</u>	<u>2,292,154</u>
Net assets, end of year	<u>\$ 3,000,694</u>	<u>\$ 98,101</u>	<u>\$ 3,098,795</u>	<u>\$ 2,824,018</u>

See accompanying notes and accountants' report.

THE NEW HARTFORD PUBLIC LIBRARY

STATEMENT OF CASH FLOWS

Year ended December 31, 2007
With comparative totals for 2006

	<u>2007</u>	<u>2006</u>
Cash flows provided by operating activities:		
Change in net assets	\$ 274,777	\$ 531,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,445	44,859
(Increase) decrease in operating assets:		
Accounts receivable	-	5
Contributions receivable	115,564	(17,565)
Prepaid expenses	(3,883)	1,178
Increase (decrease) in operating liabilities:		
Accounts payable	54,466	168
Accrued expenses	5,161	3,528
Unearned revenue	(263)	(1,180)
Contributions restricted for capital funds	(239,967)	(336,294)
Other income restricted for capital funds	(231,930)	(188,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>29,370</u>	<u>37,754</u>
Cash flows used by investing activities:		
Purchase of property and equipment	<u>(1,186,267)</u>	<u>(615,906)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,186,267)</u>	<u>(615,906)</u>
Cash flows provided by financing activities:		
Net proceeds from contributions and other income restricted for:		
Capital funds	<u>471,897</u>	<u>525,103</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>471,897</u>	<u>525,103</u>
NET DECREASE IN CASH	<u>(685,000)</u>	<u>(53,049)</u>
Cash, beginning of year	<u>939,652</u>	<u>992,701</u>
CASH, END OF YEAR	<u>\$ 254,652</u>	<u>\$ 939,652</u>

See accompanying notes and accountants' report.

THE NEW HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES

The New Hartford Public Library (the "Library") is a voluntary, not-for-profit municipal corporation organized under the laws of the Education Department of the State of New York. The Library provides literary and informational materials and programs to patrons from the Greater New Hartford, New York area. It is supported through donor contributions, government grants, and patron services.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Library is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted assets as of December 31, 2007 and 2006.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) except as noted in Note 3; Departure from GAAP.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Library considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2007 and 2006, there were no cash equivalents available for operating purposes.

Property and Equipment

Property and equipment acquired subsequent to 1998 are recorded at cost. The carrying amount of assets and related accumulated depreciation are removed from the accounts when such assets are disposed of and the resulting gain or loss incurred is reported in operations. As explained in Note 3, all other assets were charged to expense as incurred. Maintenance and repairs are also charged to expense as incurred. Major renewal or betterments that extend the lives or increase the value of the assets are capitalized. The Library capitalizes all expenditures in excess of \$500 for property and equipment at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In addition, depreciation related to the building addition is charged to occupancy expense in the Statement of Functional Expenses. Total depreciation charged to expense in 2007 and 2006 was \$55,445 and \$44,859, respectively.

THE NEW HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Collections that are exhaustible are charged as an expense in the year purchased. (See Note 3 – Departure from GAAP).

Restricted and Unrestricted Revenue and Support

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon satisfaction of the restriction.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in 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 donor restriction expires, that is, when a stipulated time restriction ended or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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 and as classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The cost of providing materials and programs has been summarized on a functional basis in the Statement of Activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Comparative Totals

The amounts shown for the year ended December 31, 2006 in the accompanying financial statements are included to provide a basis for comparison with 2007 and present summarized totals only. Accordingly, the 2006 totals are not intended to present all information necessary for a fair presentation in conformity with generally accepted accounting principles.

THE NEW HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

The Library has not capitalized and depreciated property, equipment and exhaustible collections costs acquired prior to 1999. Generally accepted accounting principles require that all property and equipment and exhaustible collections costs be reflected as assets in the Statements of Financial Position and a provision for depreciation expense be reflected in the Statement of Activities over the estimated useful life of the assets. The effects of this departure from generally accepted accounting principles on the accompanying financial statements have not been determined.

NOTE 4 RESTRICTED CASH

Restricted cash represents amounts for which a purpose restriction placed by the donor has not yet been satisfied. (See Note 7).

NOTE 5 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The Library distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions receivable consists of pledges for the 2007 building addition. An allowance was deemed unnecessary as management believes all are collectible. Amounts due within one year are \$46,918. Amounts due after one year are \$26,883. The receivables were not discounted because the amount was deemed insignificant.

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 96,460	\$ 96,460
Land improvements	112,393	34,629
Building and improvements	2,816,247	1,157,283
Construction in process	-	625,578
Furniture, fixtures and equipment	<u>218,120</u>	<u>143,003</u>
	3,243,220	2,056,953
Less: Accumulated depreciation	<u>(401,141)</u>	<u>(345,696)</u>
Net property and equipment	<u>\$ 2,842,079</u>	<u>\$ 1,711,257</u>

NOTE 7 NET ASSETS

A. Board Designated Unrestricted Net Assets

The Library's board has designated unrestricted net assets to be used toward building improvements and construction. At December 31, 2007 and 2006, designated net assets for building purposes was \$94,500.

THE NEW HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 NET ASSETS (Cont.)

B. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	<u>2007</u>	<u>2006</u>
Childrens programs	\$ 8,489	\$ 6,105
Building maintenance and improvements	26,712	873,584
Garden maintenance	<u>62,900</u>	<u>61,464</u>
Total	<u>\$ 98,101</u>	<u>\$ 941,153</u>

Included in temporarily restricted net assets is cash for which a time or purpose restriction placed by the donor is not yet satisfied.

NOTE 8 RETIREMENT PLAN - DEFINED BENEFIT

The Library participates in the New York State Employees' Retirement System (NYSERS). This is a cost-sharing, multiple employer, public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Society Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employees to the pension accumulation fund.

The Library is required to contribute at an actuarially determined rate. The Library's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2007	\$16,694
2006	15,944
2005	16,859

THE NEW HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Cash

The Library maintains cash balances at financial institutions located in central New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2007 and 2006, the Library had uninsured cash balances of \$147,904 and \$843,214, respectively. However, this amount is backed by securities pledged by a financial institution held in a third party custodian account. New York State General Municipal Law requires collateral on amounts over FDIC insured balances.

Contributions Receivable

The Library solicited contributions for its building addition. These promises received represent promises to pay at a later date. Its' donors ability to honor their promises is dependent upon general economic conditions. The maximum amount of loss approximates the carrying value.

NOTE 10 RECLASSIFICATIONS

Certain amounts relating to 2006 have been reclassified to confirm to the 2007 reporting format.

THE NEW HARTFORD PUBLIC LIBRARY

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2007
With comparative totals for 2006

	Program Services	Management and General	Fundraising	Total All Funds	
				2007	2006
Compensation and related expenses:					
Salaries	\$ 236,895	\$ 66,817	\$ -	\$ 303,712	\$ 288,849
Payroll taxes and fringe benefits	38,887	16,666	-	55,553	56,172
	<u>275,782</u>	<u>83,483</u>	<u>-</u>	<u>359,265</u>	<u>345,021</u>
Serials and microfilms	9,214	-	-	9,214	8,715
Books	63,889	-	-	63,889	59,767
Depreciation	38,812	16,633	-	55,445	44,859
Utilities	20,977	8,990	-	29,967	20,829
Contracts expense	29,530	-	-	29,530	23,860
Supplies	9,446	4,048	281	13,775	12,026
Recordings	11,176	-	-	11,176	12,998
Miscellaneous expense	-	2,852	2,924	5,776	6,703
Equipment and software	390	1,307	-	1,697	1,766
Telephone	1,028	441	-	1,469	1,829
Postage	3,416	854	-	4,270	3,093
Professional fees	-	2,725	-	2,725	5,612
Insurance	6,823	2,924	-	9,747	8,039
Building expenses	13,303	5,701	-	19,004	16,840
Education	924	-	-	924	1,485
Printing	2,778	694	9,222	12,694	6,696
Travel and conferences	-	123	-	123	572
Dues	-	200	-	200	200
	<u>\$ 487,488</u>	<u>\$ 130,975</u>	<u>\$ 12,427</u>	<u>\$ 630,890</u>	<u>\$ 580,910</u>
Total expenses					

See accompanying notes and accountants' report.