

cc: Hauptlaubert
Sue Blatt

THE NEW HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS

Year ended December 31, 2006
With comparative totals for 2005

GRUVER, ZWEIFEL & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

THE NEW HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS

**Year ended December 31, 2006
With comparative totals for 2005**

THE NEW HARTFORD PUBLIC LIBRARY

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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, 2006 and 2005, and the related statements of activities and cash flows for the year ended December 31, 2006, 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 2005 reviewed financial statements and, in our report dated September 28, 2006, 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 review was 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
October 19, 2007

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, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash	\$ 187,864	\$ 146,168
Cash - Donor restricted	751,788	846,533
Accounts receivable	666	671
Contributions receivable	82,493	171,800
Prepaid expenses	7,958	9,136
Total current assets	1,030,769	1,174,308
Property and equipment, net	1,711,257	1,140,210
Contributions receivable, noncurrent	106,872	-
Total assets	\$ 2,848,898	\$ 2,314,518
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,329	\$ 1,161
Accrued expenses	23,288	19,760
Unearned revenue	263	1,443
Total current liabilities	24,880	22,364
Net assets:		
Unrestricted:		
Board designated	94,500	94,500
Undesignated	1,788,365	1,179,321
Total unrestricted net assets	1,882,865	1,273,821
Temporarily restricted	941,153	1,018,333
Total net assets	2,824,018	2,292,154
Total liabilities and net assets	\$ 2,848,898	\$ 2,314,518

See accompanying notes and accountants' report.

THE NEW HARTFORD PUBLIC LIBRARY

STATEMENT OF ACTIVITIES

Year ended December 31, 2006
With comparative totals for 2005

	Unrestricted	Temporarily Restricted	Total All Funds	
			2006	2005
Revenues and other support:				
Town allocation	\$ 446,000	\$ -	\$ 446,000	\$ 424,301
County funds	52,550	-	52,550	51,032
Local library service aid	6,739	-	6,739	6,708
Fines and fees	42,526	-	42,526	45,199
Interest income	3,441	38,855	42,296	13,796
Contributions	7,193	355,131	362,324	634,529
Grants	4,173	150,000	154,173	1,307
Miscellaneous income	2,569	2,313	4,882	6,045
Special events	1,284	-	1,284	1,772
Net assets released from restrictions:				
Restrictions satisfied by payments	623,479	(623,479)	-	-
Total revenues and other support	1,189,954	(77,180)	1,112,774	1,184,689
Expenses:				
Program services	448,162	-	448,162	450,199
Management and general	123,475	-	123,475	114,369
Fundraising	9,273	-	9,273	4,410
Total expenses	580,910	-	580,910	568,978
Change in net assets	609,044	(77,180)	531,864	615,711
Net assets, beginning of year	1,273,821	1,018,333	2,292,154	1,676,443
Net assets, end of year	\$ 1,882,865	\$ 941,153	\$ 2,824,018	\$ 2,292,154

See accompanying notes and accountants' report.

THE NEW HARTFORD PUBLIC LIBRARY

STATEMENT OF CASH FLOWS

Year ended December 31, 2006
With comparative totals for 2005

	<u>2006</u>	<u>2005</u>
Cash flows provided by operating activities:		
Change in net assets	\$ 531,864	\$ 615,711
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,859	45,651
(Increase) decrease in operating assets:		
Accounts receivable	5	(19)
Contributions receivable	(17,565)	(171,800)
Prepaid expenses	1,178	(3,671)
Increase (decrease) in operating liabilities:		
Accounts payable	168	(22,878)
Accrued expenses	3,528	12,928
Unearned revenue	(1,180)	1,443
Contributions restricted for capital funds	(336,294)	(446,240)
Other income restricted for capital funds	(188,809)	(17,785)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>37,754</u>	 <u>13,340</u>
Cash flows used by investing activities:		
Purchase of property and equipment	(615,906)	(29,091)
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(615,906)</u>	 <u>(29,091)</u>
Cash flows provided by financing activities:		
Net proceeds from contributions and other income restricted for: Capital funds	 <u>525,103</u>	 <u>464,025</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>525,103</u>	 <u>464,025</u>
 NET (DECREASE) INCREASE IN CASH	 <u>(53,049)</u>	 <u>448,274</u>
Cash, beginning of year	<u>992,701</u>	<u>544,427</u>
 CASH, END OF YEAR	 <u>\$ 939,652</u>	 <u>\$ 992,701</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, 2006 and 2005.

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, 2006 and 2005, 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 2006 and 2005 was \$44,859 and \$45,651, 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, 2005 in the accompanying financial statements are included to provide a basis for comparison with 2006 and present summarized totals only. Accordingly, the 2005 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

Contributions receivable consists of pledged received during 2006 for the building addition. An allowance was deemed unnecessary as management believes all are collectible.

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 96,460	\$ 96,460
Land improvements	34,629	34,629
Building and improvements	1,157,283	1,157,283
Construction in process	625,578	18,470
Furniture, fixtures and equipment	<u>143,003</u>	<u>134,204</u>
	2,056,953	1,441,046
Less: Accumulated depreciation	<u>(345,696)</u>	<u>(300,836)</u>
Net property and equipment	<u>\$ 1,711,257</u>	<u>\$ 1,140,210</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, 2006 and 2005, 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>2006</u>	<u>2005</u>
Childrens programs	\$ 6,105	\$ 4,767
Building maintenance and improvements	873,584	952,292
Garden maintenance	<u>61,464</u>	<u>61,274</u>
Total	<u>\$ 941,153</u>	<u>\$ 1,018,333</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:

2006	\$15,944
2005	16,859
2004	23,332

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, 2006 and 2005, the Library had uninsured cash balances of \$843,214 and \$901,269, 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.

Accounts 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.

NOTE 10 RECLASSIFICATIONS

Certain amounts relating to 2005 have been reclassified to conform to the 2006 reporting format.

THE NEW HARTFORD PUBLIC LIBRARY

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2006
With comparative totals for 2005

	Program Services	Management and General	Fundraising	Total All Funds	
				2006	2005
Compensation and related expenses:					
Salaries	\$ 225,302	\$ 63,547	\$ -	\$ 288,849	\$ 276,356
Payroll taxes and fringe benefits	39,320	16,852	-	56,172	45,573
	<u>264,622</u>	<u>80,399</u>	-	<u>345,021</u>	<u>321,929</u>
Serials and microfilms	8,715	-	-	8,715	7,978
Books	59,767	-	-	59,767	76,340
Depreciation	31,401	13,458	-	44,859	45,651
Utilities	14,580	6,249	-	20,829	19,463
Contracts expense	23,860	-	-	23,860	23,211
Supplies	8,418	3,608	-	12,026	11,805
Recordings	12,998	-	-	12,998	13,232
Miscellaneous expense	-	4,581	2,122	6,703	4,721
Equipment and software	406	1,360	-	1,766	1,368
Telephone	1,280	549	-	1,829	1,347
Postage	2,474	619	-	3,093	5,637
Professional fees	-	4,231	1,381	5,612	2,575
Insurance	5,627	2,412	-	8,039	6,813
Building expenses	11,788	5,052	-	16,840	18,533
Education	1,485	-	-	1,485	1,406
Printing	741	185	5,770	6,696	6,168
Travel and conferences	-	572	-	572	451
Dues	-	200	-	200	350
Total expenses	\$ 448,162	\$ 123,475	\$ 9,273	\$ 580,910	\$ 568,978

See accompanying notes and accountants' report.