

**FINGER LAKES LIBRARY SYSTEM  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**FINGER LAKES LIBRARY SYSTEM**

**DECEMBER 31, 2021 AND 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Finger Lakes Library System

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Finger Lakes Library System, (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Finger Lakes Library System, as of December 31, 2021 and 2020, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Finger Lakes Library System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have audited the accompanying statement of financial position of the Finger Lakes Library System (a not-for-profit organization), as of December 31, 2021 and 2020, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Finger Lakes Library System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Finger Lakes Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Finger Lakes Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Certified Public Accountants

Cortland, New York  
September 7, 2022

**FINGER LAKES LIBRARY SYSTEM****STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,647,848	\$ 1,511,944
Accounts receivable	4,812	292,612
Prepaid expenses	<u>62,869</u>	<u>33,732</u>
<b>TOTAL CURRENT ASSETS</b>	1,715,529	1,838,288
<b>CASH RESTRICTED FOR ENDOWMENT</b>	250,000	250,000
<b>PROPERTY AND EQUIPMENT, net</b>	<u>1,592,179</u>	<u>1,663,361</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,557,708</u>	<u>\$ 3,751,649</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 15,664	\$ 5,148
Current portion of long-term debt	-	43,175
Other accrued liabilities	<u>80,254</u>	<u>71,288</u>
<b>TOTAL CURRENT LIABILITIES</b>	95,918	119,611
<b>ACCRUED BENEFIT TIME</b>	79,176	58,590
<b>LONG-TERM DEBT, net of current portion</b>	<u>-</u>	<u>420,064</u>
<b>TOTAL LIABILITIES</b>	175,094	598,265
<b>NET ASSETS</b>		
Without donor restrictions	3,033,660	2,837,962
With donor restrictions	<u>348,954</u>	<u>315,422</u>
<b>TOTAL NET ASSETS</b>	<u>3,382,614</u>	<u>3,153,384</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,557,708</u>	<u>\$ 3,751,649</u>

See independent auditor's report and notes to financial statements.

## FINGER LAKES LIBRARY SYSTEM

### STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>REVENUES</b>		
Services to member libraries	\$ 327,077	\$ 328,894
Services to municipalities	36,422	39,081
Gifts	14,593	19
Grants	18,556	12,937
State aid	1,145,250	1,146,434
Amounts received on behalf of member libraries:		
Central Library Aid	96,748	96,763
Local Library Services Aid	94,523	88,749
CARES Act Grant	32,699	
Less: amounts remitted to member libraries	(298,970)	(185,512)
Income from investments - interest	5,885	7,018
Other	47,676	38,855
Net assets released from restrictions	<u>108,108</u>	<u>94,922</u>
<b>TOTAL REVENUE</b>	<b>1,628,567</b>	<b>1,668,160</b>
<b>EXPENSES</b>		
Program	1,171,457	1,178,764
Management and general	261,412	263,659
Fundraising	<u>-</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<b>1,432,869</b>	<b>1,442,423</b>
<b>OTHER EXPENSES</b>		
Loss on disposal of fixed assets	<u>-</u>	<u>48,506</u>
<b>TOTAL OTHER EXPENSES</b>	<b><u>-</u></b>	<b><u>48,506</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>195,698</b>	<b>177,231</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Grants and contracts	141,640	120,283
Net assets released from restrictions	<u>(108,108)</u>	<u>(94,922)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>33,532</b>	<b>25,361</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>229,230</b>	<b>202,592</b>
<b>NET ASSETS, beginning of year</b>	<b><u>3,153,384</u></b>	<b><u>2,950,792</u></b>
<b>NET ASSETS, end of year</b>	<b><u>\$ 3,382,614</u></b>	<b><u>\$ 3,153,384</u></b>

See independent auditor's report and notes to financial statements.

# FINGER LAKES LIBRARY SYSTEM

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>General and Administration</u>	<u>Total</u>
<b>EXPENSES</b>			
Books, films, and databases	\$ 86,681	\$ 94	\$ 86,775
Polaris	295,373	-	295,373
Computer supplies and equipment for resale	63,392	-	63,392
State literacy grants	11,634	-	11,634
Grants to member libraries	9,708	-	9,708
Library services and travel	64,103	11,948	76,051
Salaries	356,523	149,615	506,138
Payroll taxes	32,743	10,441	43,184
Employee benefits	128,643	37,801	166,444
Depreciation and amortization	54,549	16,633	71,182
Operation and maintenance of buildings and equipment	4,265	1,606	5,871
Operation and maintenance of automotive equipment	10,360	470	10,830
Professional fees	6,182	11,229	17,411
Insurance	7,882	3,488	11,370
Utilities and facilities	22,076	9,982	32,058
Interest	17,344	7,843	25,187
Other expenses	-	261	261
<b>TOTAL EXPENSES</b>	<u>\$ 1,171,458</u>	<u>\$ 261,411</u>	<u>\$ 1,432,869</u>

See independent auditor's report and notes to financial statements.

# FINGER LAKES LIBRARY SYSTEM

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>General and Administration</u>	<u>Total</u>
<b>EXPENSES</b>			
Books, films, and databases	\$ 82,171	\$ -	\$ 82,171
Polaris	246,050	-	246,050
Computer supplies and equipment for resale	31,247	-	31,247
State literacy grants	11,852	-	11,852
Grants to member libraries	8,641	-	8,641
Library services and travel	59,090	20,172	79,262
Salaries	419,794	135,255	555,049
Payroll taxes	38,309	9,769	48,078
Employee benefits	157,295	45,435	202,730
Depreciation and amortization	62,488	19,164	81,652
Operation and maintenance of buildings and equipment	10,017	2,364	12,381
Operation and maintenance of automotive equipment	8,156	-	8,156
Professional fees	3,660	14,556	18,216
Insurance	9,064	3,143	12,207
Utilities and facilities	15,413	6,969	22,382
Interest	15,108	6,832	21,940
Other expenses	409	-	409
<b>TOTAL EXPENSES</b>	<u>\$ 1,178,764</u>	<u>\$ 263,659</u>	<u>\$ 1,442,423</u>

See independent auditor's report and notes to financial statements.



**FINGER LAKES LIBRARY SYSTEM****STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 229,230	\$ 202,592
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on disposal of fixed asset	-	48,506
Depreciation and amortization	71,182	81,652
Interest expense from deferred loan costs	-	684
(Increase) decrease in accounts receivable	287,800	(279,895)
(Increase) decrease in prepaid expenses	(29,137)	3,436
Increase (decrease) in accounts payable	10,516	(7,956)
Increase (decrease) in accrued benefit time	20,586	(1,609)
Increase (decrease) in other accrued liabilities	<u>8,966</u>	<u>44,332</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	599,143	91,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of building and equipment	<u>-</u>	<u>(114,180)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	-	(114,180)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	<u>(463,239)</u>	<u>(41,295)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(463,239)</u>	<u>(41,295)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	135,904	(63,733)
<b>CASH, January 1</b>	<u>1,511,944</u>	<u>1,575,677</u>
<b>CASH, December 31</b>	<u><u>\$ 1,647,848</u></u>	<u><u>\$ 1,511,944</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year:		
Interest	\$ 25,187	\$ 21,256
Income taxes	-	-

See independent auditor's report and notes to financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ACTIVITY**

The Finger Lakes Library System was formed in April 1965 to provide grants and services to 33 libraries in Cayuga, Cortland, Seneca, Tioga, and Tomkins Counties in the State of New York.

**BASIS OF ACCOUNTING**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which the related liability is incurred.

**FIXED ASSETS**

Building, equipment, furnishings, and leasehold improvements are recorded at cost. Donations of property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The fixed assets are being depreciated on the straight-line method over three to thirty-nine years. Betterments and improvements are capitalized, whereas expenditures for repairs and maintenance are charged to expense as incurred.

**INCOME TAXES**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for income taxes in accordance with FASB Accounting Standards Codification (ASC) 740, Income Taxes. FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. The Organization believes that it had appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**CASH AND CASH EQUIVALENTS**

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with original maturity dates of three months or less to be cash equivalents.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. As of December 31, 2021, management has determined that probably uncollectible amounts that would require a provision for bad debt expense are not material to the financial statements.

**POLARIS**

Polaris is the computerized catalog system. Member libraries pay an annual fee for access.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FINANCIAL STATEMENT PRESENTATION**

The Organization reports information regarding its financial position and activities according to two classes of net assets: assets with donor restrictions and assets without donor restrictions.

**RESTRICTED AND UNRESTRICTED REVENUE**

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, utilities, and facilities, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

**ADVERTISING**

The Organization expenses advertising costs as they are incurred. Advertising expenses amounted to \$-0- in 2021 and 2020, respectively.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

“Disclosures of Fair Value of Financial Instruments,” requires the Organization to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Organization’s financial instruments.

The carrying amounts of cash, accounts receivable, other current assets, accounts payable, accrued expenses, and grants receivable approximate fair value because of the short maturity of those instruments. Investments are recorded at fair market value and this also approximated fair value.

**REVENUE RECOGNITION**

In May 2014, the Financial Accounting Standards Board (FASB) issued an accounting standard that supersedes most existing revenue recognition guidance. The Organization adopted the new standard as of January 1, 2019. The analysis of revenues indicated that substantially all of the revenues were from sources excluded from the scope of the standard. For those revenue sources within the scope of the standard, there were no material changes in the timing or measurement of revenues based upon the guidance. As substantially all revenues sources were excluded from the scope of the standard, the adoption of the standard did not have a material impact on the Statements of Financial Position, Statements of Activities, Cash Flows or required disclosures.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ESTIMATES**

Management used estimated and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

During the years ended December 31, 2021 and 2020, the Organization received approximately 74% and 73%, respectively, of their revenue from New York State.

The Organization maintains its cash accounts in various financial institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At December 31, 2021 and 2020, \$1,481,402 and \$1,286,834, respectively, exceeded the FIDIC limit of \$250,000 per institution. However, these funds were secured by a pledge of Treasury Securities by one financial institution.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Total current assets	\$ 1,780,529	\$ 1,838,288
Less:		
Prepaid expenses	<u>62,869</u>	<u>33,732</u>
Financial assets	1,717,660	1,804,556
Less those unavailable for general expenditures within one year, due to:		
Restrictions for program services	<u>163,954</u>	<u>65,421</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,553,706</u>	<u>\$ 1,739,135</u>

The Organization has \$1,553,706 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. None of this amount is subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization has a goal to maintain enough cash and cash equivalents on hand to meet one year of normal operating expenses, which are, on average, approximately \$1,525,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# FINGER LAKES LIBRARY SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### NOTE 4 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Program services	\$ 98,954	\$ 65,421
Subject to investment in perpetuity:		
Donor restricted endowment funds	<u>250,000</u>	<u>250,000</u>
Total net assets with donor restrictions	<u>\$ 348,954</u>	<u>\$ 315,421</u>

Net assets with permanent restrictions consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities. See Note 1 for further analysis of this activity.

### NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 60,000	\$ 60,000
Land improvements	6,500	6,500
Building	1,776,099	1,776,099
Equipment and furnishings	<u>349,999</u>	<u>349,999</u>
Subtotal Fixed Assets	2,192,598	2,192,598
Less: Accumulated depreciation	<u>(600,419)</u>	<u>(529,237)</u>
Net property and equipment	<u>\$ 1,592,179</u>	<u>\$ 1,663,361</u>

Depreciation charged to expense for 2021 and 2020 amounted to \$71,182 and \$81,652, respectively.

### NOTE 6 – RETIREMENT SYSTEM

The Organization participates in the New York State and Local Retirement System ("NYSLRS"). The New York State Retirement and Social Security Law provides that all participants in NYSLRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to the Finger Lake Library System. Generally, all employees, except certain part-time employees, participate in NYSLRS. NYSLRS is non-contributory except for employees who joined after July 27, 1976, who contribute 3% to 3.5% of their salary. If an employee is a Tier Six employee, the contribution rate is based on annualized wages. It is the policy of Finger Lakes Library System to fund pension costs as billed by NYSLRS.

The excess, if any, of actuarially computed vested benefits over pension costs funded is unknown. Any excess, if determined, would result in additional charges by NYSLRS and would be funded as billed. During the year ended December 31, 2021 and 2020, the total contribution by the Organization to the pension plan was \$82,661 and \$81,110, respectively.

# FINGER LAKES LIBRARY SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### NOTE 7 – POST-EMPLOYMENT BENEFITS

Finger Lakes Library System provided health insurance benefits to eligible retired employees through December 31, 2017, the date the plan was terminated.

Effective December 31, 2019, the Organization will no longer be required to provide post-employment benefits on a blanket bases, unless a specific agreement is reached with the retiree.

### NOTE 8 – ACCRUED BENEFIT TIME

Upon separation of employment, employees are entitled to be paid accumulated vacation time, up to 30 hours of compensatory time, and sick time. Sick time is paid at a rate of one for every four hours accrued. The value of this accumulated leave is reported in the statement of financial position.

### NOTE 9 – LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Mortgage payable to Tompkins Trust Company with monthly payments of \$5,213 until January 1, 2030. Interest rate fixed at 4.25% for 5 years and then adjusted based on Federal Home Bank of New York Advance Rate for 5 year maturities every 5 years. Secured by property at 1300 Dryden Rd., Ithaca, NY, 14850	\$ -	\$ 469,337
Less: unamortized debt issuance costs	-	(6,098)
Mortgage payable, less unamortized debt issuance costs	-	463,239
Less: current portion	-	43,175
	<u>\$ -</u>	<u>\$ 420,064</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 10 – ENDOWMENT**

An endowment fund is an established fund of cash, securities, or other assets that provides income for the support of a not-for-profit organization. Endowment funds are generally established by donor restricted gifts but can also be established by an organization’s governing board. Finger Lakes Library System’s endowment includes donor-restricted endowment funds. No restrictions have been placed on the investment returns. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Trustees of the Library has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Library and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Library
- (7) The investment policies of the Library.

*Endowment Net Asset Compilation by Type of Fund as of December 31:*

	<u>Unrestricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$	250,000	\$ 250,000

*Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021*

For the year ended December 31, 2021, Finger Lakes Library System had no endowment related activity.

*Funds with Deficiencies*

There were no deficiencies in the amount of endowment funds required by the donor or NYPMIFA as of December 31, 2021.

*Investment Strategy and Objectives*

Finger Lakes Library’s investment strategy is to maintain investments in low-risk cash, cash equivalents, and mutual funds. The objective of this strategy is to preserve the principal of the endowed assets and generate a reasonable and predictable long-term cash flow.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 10 – ENDOWMENT (CONTINUED)**

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

Finger Lakes Library System distributed earnings from the endowment. Management first evaluates the actual return on the endowment to determine the amount available to be distributed. Next, management evaluates requests for expenditures to determine that they meet the objectives of the donor.

**NOTE 11 – LEASES**

The Organization has entered in an agreement to rent a portion of the space within the building to South Central Regional Library Council over a period of several years. The lease agreement calls for annual payments of \$16,044, with an increase of 2% each subsequent year of the agreement. Total rental income received during 2021 was \$5,348. Future minimum rental income is as follows:

2022	\$ 16,204
2023	16,529
2024	16,859
2025	17,196
2026	17,540
2027 and thereafter	83,327

**NOTE 12 – RISKS AND UNCERTAINTIES**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to have the potential to negatively impact its operating results. In 2020, there was a 20% reduction in funding from New York State, which accounts for a significant portion of the Organization’s revenues.

**NOTE 13 – SUBSEQUENT EVENTS**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2022, the date the financial statements were available to be issued.