

**FINGER LAKES LIBRARY SYSTEM  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

DRAFT

**FINGER LAKES LIBRARY SYSTEM**

**DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

#### ***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.

Cortland, New York  
September 25, 2024

Certified Public Accountants

**FINGER LAKES LIBRARY SYSTEM**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	<b>ASSETS</b>	
	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 2,609,380	\$ 1,963,278
Accounts receivable	6,839	3,711
Prepaid Expenses	47,306	42,386
Due from State	51,552	-
<b>TOTAL CURRENT ASSETS</b>	<u>2,715,077</u>	<u>2,009,375</u>
<b>ENDOWMENT FUNDS</b>		
Cash and cash equivalents	250,000	250,000
<b>TOTAL ENDOWMENT FUNDS</b>	<u>250,000</u>	<u>250,000</u>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<u>1,500,012</u>	<u>1,574,413</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,465,089</u>	<u>\$ 3,833,788</u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	13,608	16,246
Other current liabilities	66,936	65,090
<b>TOTAL CURRENT LIABILITIES</b>	<u>80,544</u>	<u>81,336</u>
<b>ACCRUED BENEFIT TIME</b>	<u>85,770</u>	<u>91,119</u>
<b>TOTAL LIABILITIES</b>	166,314	172,455
<b>NET ASSETS</b>		
Without donor restrictions	3,868,992	3,329,749
With donor restrictions	429,783	331,584
<b>TOTAL NET ASSETS</b>	<u>4,298,775</u>	<u>3,661,333</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,465,089</u>	<u>\$ 3,833,788</u>

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

**FINGER LAKES LIBRARY SYSTEM**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS SUPPORT AND REVENUE</b>		
Services to member libraries	\$ 348,181	\$ 318,560
Services to municipalities	24,327	44,180
Gifts	168	50,010
Grants	-	62,073
State aid	1,502,103	1,196,340
Amounts received on behalf of member libraries:		
Central Library Aid	101,260	100,599
Local Library Services Aid	-	-
CARES Act Grant	-	-
Less: amounts remitted to member libraries	(110,105)	(199,159)
Income from investments - interest	14,265	4,827
Other	98,949	72,280
Net assets released from restrictions	<u>85,938</u>	<u>135,915</u>
<b>TOTAL UNRESTRICTED REVENUE</b>	<b>2,065,086</b>	<b>1,785,625</b>
<b>EXPENSES</b>		
Program	1,276,372	1,245,461
General and administrative	<u>249,473</u>	<u>244,077</u>
<b>TOTAL EXPENSES</b>	<b><u>1,525,845</u></b>	<b><u>1,489,538</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>539,241</b>	<b>296,087</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants and contributions	184,137	118,547
Released from restrictions	<u>(85,938)</u>	<u>(135,915)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>98,199</u></b>	<b><u>(17,368)</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>637,440</b>	<b>278,719</b>
<b>NET ASSETS, beginning of year</b>	<b><u>3,661,333</u></b>	<b><u>3,382,614</u></b>
<b>NET ASSETS, end of year</b>	<b><u>\$ 4,298,773</u></b>	<b><u>\$ 3,661,333</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, 2023**

	<u>Program</u>	<u>General and Administration</u>	<u>Total</u>
<b>EXPENSES</b>			
Books, films, and databases	\$ 123,041	\$ 891	\$ 123,932
Polaris	234,485	-	234,485
Computer supplies and equipment for resale	71,424	-	71,424
State literacy grants	8,006	-	8,006
Grants to member libraries	81,103	-	81,103
Library services and travel	66,629	29,547	96,176
Salaries	400,602	127,964	528,566
Payroll taxes	35,390	9,982	45,371
Employee benefits	133,777	29,964	163,741
Depreciation and amortization	64,577	20,393	84,970
Operation and maintenance of buildings and equipment	- 5,417	- 1,534	- 6,951
Operation and maintenance of automotive equipment	- 17,432	- 447	- 17,879
Professional fees	3,650	15,375	19,025
Insurance	8,603	3,922	12,525
Utilities and facilities	21,042	9,454	30,495
Interest	-	-	-
Other expenses	1,194	-	1,194
<b>TOTAL EXPENSES</b>	<u>\$ 1,276,372</u>	<u>\$ 249,473</u>	<u>\$ 1,525,843</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, 2022**

	<u>Program</u>	<u>General and Administration</u>	<u>Total</u>
<b>EXPENSES</b>			
Books, films, and databases	\$ 99,218	\$ 788	\$ 100,006
Polaris	265,564	-	265,564
Computer supplies and equipment for resale	52,152	-	52,152
State literacy grants	-	-	-
Grants to member libraries	79,223	-	79,223
Library services and travel	92,622	19,303	111,925
Salaries	350,167	133,847	484,014
Payroll taxes	33,160	9,531	42,691
Employee benefits	101,083	31,319	132,402
Depreciation and amortization	59,498	19,198	78,696
Operation and maintenance of buildings and equipment	63,810	3,187	66,997
Operation and maintenance of automotive equipment	16,584	637	17,220
Professional fees	3,393	12,742	16,135
Insurance	7,462	3,456	10,918
Utilities and facilities	21,525	9,733	31,259
Interest	-	-	-
Other expenses	-	336	336
<b>TOTAL EXPENSES</b>	<u>\$ 1,245,461</u>	<u>\$ 244,077</u>	<u>\$ 1,489,538</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 637,443	\$ 278,719
Adjustment to reconcile excess revenues (expenses) to net cash provided by operating activities:		
Depreciation	84,970	78,696
(Increase) decrease in accounts receivable	(3,128)	1,101
(Increase) decrease in prepaid expenses	(4,920)	20,483
(Increase) decrease in due from state	(51,552)	-
Increase (decrease) in accounts payable	(2,638)	582
Increase (decrease) in other current liabilities	(3,504)	(3,221)
Net cash provided (used) by operating activities	656,671	376,360
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(10,569)	(60,930)
Net cash provided (used) by investing activities	(10,569)	(60,930)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	-	-
Net cash provided (used) by financing activities	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	646,102	315,430
<b>CASH BALANCE, beginning of year</b>	1,963,278	1,647,848
<b>CASH BALANCE, end of year</b>	\$ 2,609,380	\$ 1,963,278
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest	\$ -	\$ -
Income taxes	-	-

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**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 System 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. It is the System’s policy to capitalize expenditures for these items in excess of \$1,000. 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 System is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as a not-for-profit organization that is not a private foundation. Entities that are classified under this section of the code are taxed on “unrelated business income” as defined by IRS regulations. The System had no unrelated business income for the years ended December 31, 2023 and 2022, respectively. Accordingly, no provision for income taxes is made in the financial statements.

The System follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. This requires the evaluation of tax positions, which includes maintaining its tax-exempt status and the taxability of any unrelated business income and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe that it has taken any tax positions that would not meet this threshold. The System’s information returns are subject to possible federal examination, generally for three years after they are filed.

**Cash and Cash Equivalents** – For the purposes of the statements of cash flows, the System 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 made reasonable collection efforts are written off. As of December 31, 2023, management has determined that probable 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.

**Financial Statement Presentation** – The System 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 an 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.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

**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.

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

**Collections** – Books, periodicals, and other library materials that are accounted for as collections are not capitalized. Purchases of these items are recorded as decreases in unrestricted net assets in the year in which the items are capitalized. Contributions of these items are not reflected in the financial statements.

**Revenue Recognition**

*Library Aid*

The system is funded primarily through New York State Education Department (SED) library aid. Library aid is allocated by SED based on formulas defined in Education Law. The System recognizes revenue when it receives notification of its allocated funding.

*Other Grants*

Unconditional grants, including unconditional promise to give, are recognized as revenues in the period received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The System assists member libraries in obtaining state and other grants. These grants are received by the System and passed through to member libraries. The passthrough revenue and expense is recognized when the grants are received.

*Revenues from Contracts with Member Libraries and Municipalities*

Revenues are recognized when a good or service is transferred to a member library or municipality. A good or service is transferred when (or as) the member library or municipality obtains control of that good or service. Revenues are based on the consideration the System expects to receive in connection with its promises to deliver goods and services to member libraries or municipalities. Performance obligations are transferred to member libraries or municipalities at a point in time.

The System provides automation services to member libraries and municipalities. The transaction price is based upon a predetermined rate, set by the System, based on costs incurred and prorated to each member library and municipality. Revenue is recognized ratably throughout the year. The System invoices member libraries and municipalities annually or quarterly.

The System also provides technology and other services to member libraries and municipalities. The transaction price is based upon predetermined rates based on services provided. Revenue is recognized at a point in time when the service is provided.

Accounts receivable include \$6,839 and \$3,711 of billed and unpaid services as of December 31, 2023 and 2022, respectively.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

*Estimates* – Management used estimates 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.

*Advertising* – The System expenses advertising costs as they are incurred. Advertising expenses amounted to \$-0- in 2023 and 2022, respectively.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

During the years ended December 31, 2023 and 2022, the System received approximately 70% and 69%, respectively, of their revenue from New York State.

The System maintains its cash accounts in various financial institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) at up to \$250,000 per institution. At December 31, 2023 and 2022, \$2,144,317 and \$1,756,032, respectively, exceeded the FDIC limit of \$250,000 per institution. However, these funds were secured by a pledge of Treasury Securities by one financial institution.

**NOTE 3 – 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 System will no longer be required to provide post-employment benefits on a blanket basis, unless a specific agreement is reached with the retiree.

**NOTE 4 – RESTRICTIONS ON NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program services	\$ 179,783	\$ 81,584
Subject to investment in perpetuity:		
Donor restricted endowment funds	<u>250,000</u>	<u>250,000</u>
Total net assets with donor restrictions	<u>\$ 429,783</u>	<u>\$ 331,584</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 System’s purchase of books and other informational media.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the System’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>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Total current assets	\$ 2,681,762	\$ 1,977,709
Less:		
Prepaid expenses	47,306	42,386
Financial assets	2,634,456	1,935,323
Less those unavailable for general expenditures within one year, due to:		
Restrictions for program services	179,783	81,584
Total financial assets available to meet cash needs for general expenditures within one year	\$ 2,454,673	\$ 1,853,739

The System has \$2,454,673 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 System 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 \$1,500,000. The System has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 6 – RETIREMENT SYSTEM**

The System 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 4.5% 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, 2023 and 2022, the total contribution by the System to the pension plan was \$71,441 and \$57,213, respectively.

**NOTE 7 – 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.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 60,000	\$ 60,000
Land improvements	6,500	6,500
Building	1,776,099	1,776,099
Equipment and furnishings	<u>421,497</u>	<u>410,929</u>
Subtotal Fixed Assets	2,264,096	2,253,528
Less: Accumulated depreciation	<u>(764,085)</u>	<u>(679,115)</u>
Net property and equipment	<u>\$ 1,500,011</u>	<u>\$ 1,574,413</u>

Depreciation charged to expense for 2023 and 2022 amounted to \$84,970 and \$78,696, respectively.

**NOTE 9 – 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. Some restrictions have been placed on the investment returns, to be used for the purchase of books and other informational media. 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 net assets with donor restrictions (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. 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.
- (8)

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 9 – ENDOWMENT (CONTINUED)**

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

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>		<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 250,000	\$	250,000

*Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023*

For the year ended December 31, 2023, 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, 2023.

*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.

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

Finger Lakes Library System distributes 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 10 – LEASES**

The System 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 2023 and 2022 was \$16,528 and \$16,204, respectively. Future minimum rental income is as follows:

	2024	\$ 16,859
	2025	17,196
	2026	17,540
	2027	17,891
	2028	18,249
	2029 and thereafter	47,187

**NOTE 11 – SUBSEQUENT EVENTS**

In preparing the financial statements, the System has evaluated events and transactions for potential recognition or disclosure through September 25, 2024, the date the financial statements were available to be issued.