



# BAHGAT & LAURITO-BAHGAT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

PROVIDING THE TOOLS FOR FINANCIAL SUCCESS

Directors

Sham Dean Bahgat, CPA  
Louann Laurito-Bahgat, CPA, CFE  
Laura L. Napoli, CPA

June 7, 2022

To the Board of Trustees of  
James Prendergast Library Association  
509 Cherry Street  
Jamestown, NY 14701

During the course of our audit of the Association's financial statements for the year ended December 31, 2021, we observed the Association's significant accounting policies and procedures and certain business, financial and administrative practices.

As a result of our observations, we suggest your consideration of the following:

Separation of Grant Expenses

During the course of the audit process, we observed that the Association does not separate expenses by grant used. Currently, the Association uses memos to explain which grant is used. QuickBooks has the ability to organize the Profit & Loss by class, where each grant could be used as a class. Another way each grant could be kept track of separately is to use a subaccount under the operating cash account for each grant. Then each check written can be shown as a reduction to the grant account that it correlates to. This would help keep track of each grant more accurately and whether they are fully expended or there are restricted funds unexpended.

We are pleased to communicate that there are no additional recommendations.

We sincerely appreciate the opportunity to serve the James Prendergast Library Association.

Very truly yours,

Bahgat & Laurito-Bahgat  
Certified Public Accountants, P.C.  
Fredonia, New York

**JAMES PRENDERGAST LIBRARY ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2021 and 2020**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	2-4
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-19



**Independent Auditor's Report**

To the Board of Trustees of  
James Prendergast Library Association  
509 Cherry Street  
Jamestown NY 14701

**Opinion**

We have audited the accompanying financial statements of the James Prendergast Library Association a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James Prendergast Library Association, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 the James Prendergast Library Association 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 the 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 the James Prendergast Library Association'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 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, we:

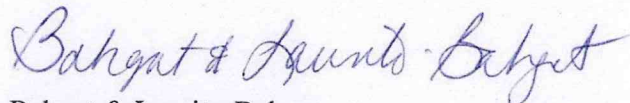
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 the James Prendergast Library Association'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 the James Prendergast Library Association'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.



### **Report on Summarized Comparative Information**

We have previously audited the James Prendergast Library Association's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia, New York

June 7, 2022

**JAMES PRENDERGAST LIBRARY ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 178,687	\$ 253,611
Savings and short-term investments	203,906	374,760
Prepaid contributions to retirement system	56,194	52,851
<b>Total Current Assets</b>	438,787	681,222
<b>PROPERTY AND EQUIPMENT</b>		
Property plant & equipment net of accumulated depreciation	1,970,032	1,927,516
<b>OTHER ASSETS</b>		
Investments	8,501,204	7,463,656
Art collection	35,300	35,300
<b>Total Other Assets</b>	8,536,504	7,498,956
<b>TOTAL ASSETS</b>	<b>\$ 10,945,323</b>	<b>\$ 10,107,694</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,545	\$ 6,352
Payroll protection loan	-	107,760
Sales tax payable	1,520	1,520
Accrued payroll liabilities	4,290	3,403
Accrued compensatory time	30,007	26,725
Amounts held in custody for others	1,732	1,732
<b>Total Current Liabilities</b>	40,094	147,492
<b>NET ASSETS</b>		
Without donor restrictions	10,618,128	9,605,185
With donor restrictions	287,101	355,017
<b>Total Net Assets</b>	10,905,229	9,960,202
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,945,323</b>	<b>\$ 10,107,694</b>

**JAMES PRENDERGAST LIBRARY ASSOCIATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Foundations and trusts	\$ 98,976	\$ -	\$ 98,976	\$ 208,992
City of Jamestown, NY	-	-	-	100,000
Section 259 Tax Collection	350,000	-	350,000	350,000
New York State & other governments	12,660	5,999	18,659	7,725
Chautauqua-Cattaraugus Library System	163,516	-	163,516	110,555
Gifts and donations	4,417	-	4,417	6,708
Fundraising	80,873	-	80,873	101,886
Fines and fees	18,667	-	18,667	11,631
Interest and dividend income	324,492	1,574	326,066	132,313
Loss on sale of art collection	-	-	-	(2,000)
Net realized and unrealized gains (losses) on investments	707,162	3,400	710,562	497,843
Payroll protection loan	197,173	-	197,173	-
Other income	-	-	-	9,252
Net assets released from restriction	78,889	(78,889)	-	-
<b>Total Revenue and Support</b>	<b>2,036,825</b>	<b>(67,916)</b>	<b>1,968,909</b>	<b>1,534,905</b>
<b>EXPENSES</b>				
Library Operations	911,626	-	911,626	733,772
Management and General	101,004	-	101,004	97,573
Fundraising	11,252	-	11,252	11,538
<b>Total Expenses</b>	<b>1,023,882</b>	<b>-</b>	<b>1,023,882</b>	<b>842,883</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,012,943</b>	<b>(67,916)</b>	<b>945,027</b>	<b>692,022</b>
<b>NET ASSETS, at beginning of year</b>	<b>9,605,185</b>	<b>355,017</b>	<b>9,960,202</b>	<b>9,268,180</b>
<b>NET ASSETS, at end of year</b>	<b>\$ 10,618,128</b>	<b>\$ 287,101</b>	<b>\$ 10,905,229</b>	<b>\$ 9,960,202</b>

See accompanying notes and independent auditor's report.



**JAMES PRENDERGAST LIBRARY ASSOCIATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020**

	Programs	Supporting Activities		Totals	
	Library Operations	Management and General	Fundraising	2021	2020
Salaries and wages	\$ 471,171	\$ 49,035	\$ 5,146	\$ 525,352	\$ 429,274
NYS Retirement	44,291	7,747	813	52,851	49,729
Books	48,571	-	-	48,571	36,347
Grants	50,326	-	-	50,326	13,304
Employee benefits	40,903	3,432	360	44,695	36,061
Utilities	37,620	9,405	-	47,025	44,386
Payroll taxes	34,247	3,923	412	38,582	31,203
Insurance	15,479	3,870	-	19,349	11,450
Repairs and maintenance	16,925	4,231	-	21,156	13,496
Legal and professional	19,408	-	-	19,408	22,421
Office expenses	9,138	1,713	571	11,422	10,315
Computers and software	11,384	-	-	11,384	4,453
Fundraising materials	-	-	3,950	3,950	3,678
DVD's	8,753	-	-	8,753	5,406
Audio	888	-	-	888	4,129
E-books	4,863	-	-	4,863	20,963
Online Databases	11,667	-	-	11,667	4,202
Custodial supplies	3,295	824	-	4,119	6,282
Periodicals	11,605	-	-	11,605	3,926
Programs	3,793	-	-	3,793	1,671
Miscellaneous expenses	6,545	1,636	-	8,181	13,210
Total expenses before depreciation	850,872	85,816	11,252	947,940	765,906
Depreciation	60,754	15,188	-	75,942	76,977
Total expenses	<u>\$ 911,626</u>	<u>\$ 101,004</u>	<u>\$ 11,252</u>	<u>\$ 1,023,882</u>	<u>\$ 842,883</u>

See accompanying notes and independent auditor's report.

**JAMES PRENDERGAST LIBRARY ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 945,027	\$ 692,022
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	75,942	76,977
Net realized gains	(143,504)	(230,188)
Loss on sale of art collection	-	2,000
Decrease (increase) in receivables	-	2,281
(Increase) decrease in prepaid retirement system contribution	(3,343)	(3,122)
Increase (decrease) in accounts payable	(3,807)	668
(Decrease) increase in accrued payroll liabilities	887	(540)
Increase (decrease) in accrued compensatory time	3,282	5,523
Increase (decrease) in amounts held in custody for others	-	1,732
<b>Net cash provided by operating activities</b>	<b>874,484</b>	<b>547,353</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(118,458)	(127,706)
Proceeds from sales of art	-	14,000
Purchases of investments	(2,235,959)	(4,132,029)
Proceeds from sales of investments	1,341,915	3,462,418
<b>Net cash (used in) investing activities</b>	<b>(1,012,502)</b>	<b>(783,317)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program	89,413	107,760
Forgiveness of Paycheck Protection Program	(197,173)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(107,760)</b>	<b>107,760</b>
<b>Net change in cash and cash equivalents</b>	(245,778)	(128,204)
<b>Cash and cash equivalents, beginning of year</b>	<b>628,371</b>	<b>756,575</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 382,593</b>	<b>\$ 628,371</b>

<p style="text-align: center;"><b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b></p>
--------------------------------------------------------------------------------------------------------------------------

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

**NATURE OF OPERATIONS**

The James Prendergast Library Association (“The Association”) is a not-for-profit agency which operates and provides library services in Jamestown, New York. The James Prendergast Library is an Association Library District. This model is available to libraries currently chartered as Association Libraries that do not want to relinquish their “private” status by re-chartering as a School District Public Library or a Special Legislative District Public Library. Although an Association Library District is not a public entity, the library can emulate the basic characteristics of a public library district by providing a process for the library to secure operating revenue through a public budget vote.

The Association receives revenue from the State of New York, the City of Jamestown, New York, Chautauqua-Cattaraugus Library System, Section 259 tax levy collection, fundraising activities and contributions from foundations and trusts, charitable organizations, corporations and individuals.

**BASIS OF ACCOUNTING**

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

**BASIS OF PRESENTATION**

The Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions which are described as follows:

**With Donor Restriction**

Donor restricted net assets are subject to donor imposed stipulations that may or will be met either by actions of the Association and/or passage of time. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Additionally, the Association has net assets subject to donor imposed stipulations that require the net assets be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or a part of the income earned on any related investments for general or specific purposes. See Note 5.

**Without Donor Restriction**

Net assets without donor restriction are not subject to donor imposed stipulation.

<p style="text-align: center;"><b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b></p>
--------------------------------------------------------------------------------------------------------------------------

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

**PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION**

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for year ended December 31, 2020, from which the summarized information was derived.

**INVESTMENTS**

Investments are reported at market value on the Statements of Financial Position. Realized and unrealized gains and losses on investments are reflected in the Statements of Activities, net of investment fees.

**RESTRICTED AND UNRESTRICTED REVENUE**

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

**DONATED SERVICES**

Donated services are recognized as contributions at fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, which are performed by individuals with those skills and would otherwise be purchased by the Association. No donated services requiring recognition were received in 2021 or 2020. Numerous volunteers also provided governance and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

<p style="text-align: center;"><b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b></p>
--------------------------------------------------------------------------------------------------------------------------

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

**PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash restricted for the acquisition of property, equipment or leasehold improvements, are reported as with donor restriction. At the time donated or acquired assets are placed in service, the Association reclassifies net assets with donor restriction to net assets without donor restriction. Property and equipment are depreciated when placed in service over estimated useful lives using the straight-line method. The Association's policy is to capitalize acquisitions of \$1,000 or more and having estimated useful lives of more than one year.

**INCOME TAXES**

The Association is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and from New York State income taxes under Article 7-A of the Executive Law. Therefore, no provision has been made for Federal or New York State income taxes in the accompanying financial statements. In addition, the Association is not a private foundation as defined in Section 509(a).

**COMPENSATORY TIME**

Employees are granted vacation in varying amounts based on date of hire, exempt (professional) versus non-exempt (non-professional) status and length of service. Sick leave is granted at a rate of 12 days per year, based on full-time employment, and may be accrued to a maximum of 165 days. Unused sick leave credits may be used at the time of retirement to extend years of service credit, but not to qualify for early retirement.

**USE OF ESTIMATES**

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

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

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

**CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**ART COLLECTION**

Funds to purchase the art collection pieces were donated to the Association by its founders. Various estates donated additional pieces. The Association classifies the art collection as a capitalized asset without the standard application of depreciation, due to the cultural value of the collection.

During the year ended December 31, 2021, the Association did not sell any pieces of the collection. As of December 31, 2021, twelve pieces remain. The Association intends to retain these pieces of art, which include portraits of Prendergast family members as well as ones of local interest. The collection was valued and adjusted in 2018 to the estimated average of the high /low 2017 estimate provided by Sotheby’s. The value of the art collections at December 31, 2021 and 2020 was \$35,300 and \$35,300, respectively.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of the Association’s financial instruments approximate their carrying values due to the short-term nature of maturities and expected collection or payment periods or because the terms are similar to market terms.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following, at December 31:

	<b>2021</b>	<b>2020</b>
Buildings and equipment	\$ 4,590,798	\$ 4,476,840
Computer software	47,417	42,917
	4,638,215	4,519,757
Less accumulated depreciation	2,668,183	2,592,241
Property and equipment, net	\$ 1,970,032	\$ 1,927,516

Depreciation expense was \$75,942 and \$76,977, for 2021 and 2020 respectively.



<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 3 – RETIREMENT PLAN**

The Association participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost-sharing multiple-employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. The NYERS offers a wide range of plans & benefits, which are related to years of service and final average salary. NYERS issues a publicly available financial report that includes consolidated financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The NYERS is noncontributory for employees who joined prior to July 27, 1976. Employees who join the NYERS after July 27, 1976 and prior to January 1, 2010 contribute 3% to 3.5% of their salary. With the exception of NYERS tier V and VI employees, employees in the NYERS greater than ten years are no longer required to contribute. In addition, employee contribution rates under NYERS tier VI vary based on a sliding scale. For NYERS, the Comptroller certifies the rates expressed as proportions of members' pension accumulation fund. The Association is required to contribute at an actuarially determined rate. The Association contributions made to NYERS were equal to 100 percent of the contributions required. The required contributions for the current year and two preceding years were as follows:

	NYSERS
2021-2022	\$ 56,194
2020-2021	\$ 52,851
2019-2020	\$ 49,729

Pension Expense recorded for calendar year 2021 was \$52,851.

For NYERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Prepaid retirement contributions as of December 31, 2021 represent the projected employer contribution for the period of April 1, 2021 through March 31, 2022 based on paid NYERS covered wages multiplied by the employer's contribution rate. Prepaid retirement contributions as of December 31, 2021 amounted to \$56,194 of employer contributions.

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 3 – RETIREMENT PLAN (Concluded)**

The Association was not listed in the plan’s most recent available audited financial statements for providing more than five percent of the total contributions to the plan for the years ended March 31, 2021. The Employer Identification Number for NYSERS is 16-0840340. The most recent Pension Protection Act (PPA) zone is green at March 31, 2021, which is based on the funded ratio as of April 1, 2020 and is disclosed in the plan’s audited consolidated financial statements. Among other factors, plans in the red zone are general less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status	
			2021	2020
NYSERS	16-0840340	50101	Green as of 3/31/21	Green as of 3/31/20

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The accompanying financial statements include only the accounts of the Association. The Association is considered a related party to Chautauqua-Cattaraugus Library System (“CCLS”). The Association Co-Central library status was revoked for 2020 however, it received a maintenance of effort waiver and was still able to receive support from the state and counties through CCLS. The Association regained member status for 2021. CCLS aids members in other ways including training, public relations, technical services, and grants. During the years ended December 31, 2021, and 2020, the Association received income of \$163,516 and \$110,555 respectively, which includes the base rent described in Note 6.

**NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restriction that are perpetual in nature as of December 31, were as follows:

	2021	2020
General purposes – Purchase of books, periodicals and the presentation of lectures	\$ 224,413	\$ 220,625
Construction purposes- Building repairs and upgrades	62,688	134,392
	\$ 287,101	\$ 355,017

**NOTE 6 –LONG-TERM LEASE**

The Association leases space to the CCLS. On December 30<sup>th</sup> 2019, the Association and CCLS entered into a 3 year lease that commenced on January 1, 2020. Pursuant to the lease agreement, for years ended December 31, 2021 and 2020, the Chautauqua-Cattaraugus Library System paid the Association base rent of \$56,000 for each year, paid in monthly installments of \$4,666.67.

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 7 – INVESTMENTS**

Investments are reported at market value for financial statement purposes.

The balances as of December 31, 2021 and 2020,

	2021	2020
UBS Financial Services, Inc.- Investment Account	\$ 8,460,039	\$ 7,430,729
American Funds-Mutual Fund Account	41,165	32,927
	\$ 8,501,204	\$ 7,463,656

Fair Value Measurements at Reporting Date

The Association’s investments are reported at fair value in the accompanying Statements of Financial Position. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent resources, while unobservable inputs reflect the Association’s market assumptions. These types of inputs create the following fair value hierarchy: Level 1 inputs consist of quoted prices for identical instruments in active markets, Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities and model-derived valuations whose significant inputs are observable and Level 3 consists of instruments whose significant inputs are unobservable. The Association uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

Fair Value Measurements at Reporting Date

	December 31, 2021	
	Level 1	Total
Cash and equivalents	\$ 54,940	\$ 54,940
Equities	5,420,089	5,420,089
Fixed income	2,761,040	2,761,040
Commodities	223,970	223,970
Mutual funds	41,165	41,165
	\$ 8,501,204	\$ 8,501,204

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 7 – INVESTMENTS (Concluded)**

	December 31, 2020	
	Level 1	Total
Cash and equivalents	\$ 73,725	\$ 73,725
Equities	4,668,058	4,668,058
Fixed income	2,502,615	2,502,615
Commodities	186,331	186,331
Mutual funds	32,927	32,927
	\$ 7,463,656	\$ 7,463,656

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$48,714 and \$52,188 for the years ended 2021 and 2020, respectively and have been netted against investment revenues in the accompanying Statements of Activities.

**NOTE 8 – ENDOWMENT FUNDS**

The Association’s endowment includes both donor-restricted funds and funds designated by the Board of Trustees. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions. As of December 31, 2021, the Board of Trustees had designated \$8,276,926 of net assets without donor restrictions as a general endowment fund to support the mission of the Association. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Spending policy

The spending policy states that the Association may appropriate for expenditure or accumulate so much of the endowment fund as it deems prudent for uses, benefits, purposes, and duration for which the endowment fund is established. The Association has determined that, in order to achieve its overall financial objective, the spending rate will be set between 5% and 7% of the trailing twenty quarter average market value of each Fund’s portfolio as of the preceding September 30<sup>th</sup>. Annually, the Board of Directors approves the annual spending policy from this quasi-endowment to help cover annual operating expenses. For December 31, 2021 and 2020, the Board approved quasi-endowment spending of 5% and 6%, respectively based on the balance of the quasi-endowment in the prior 20 quarters. However in 2021, the Board waived all withdrawals. In 2021 and 2020, \$0 and \$94,046 respectively, was withdrawn from the endowment investments for general operating purposes.

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 8 – ENDOWMENT FUNDS (Concluded)**

Investment policy

Investment policies and management of the board-designated quasi-endowment investments are reviewed annually by the Association. Over the long term, the objective is to provide an annual total return, net of the 5% spending, to keep pace with inflation, thus allowing the investments to provide for increasing annual spending in perpetuity. The Association has adopted an investment policy designed to broadly diversify the individual securities within the endowment and diversify the asset allocation so as to maximize the return potential within specific risk limitation

Endowment net asset composition by type of fund as of December 31, 2021, is as follows:

	<u>Total Endowment Net Assets</u>
Endowment funds with donor restrictions	\$ 224,278
Board-designated endowment funds without donor restrictions	8,276,926
	_____
Total endowment funds	<u>\$8,501,204</u>

Changes in endowment net assets as of December 31, 2021 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions (see Note 5)</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 7,243,352	\$ 220,304	\$ 7,463,656
Contributions	1,092	-	1,092
Investment income	324,320	1,574	325,894
Net appreciation	707,162	3,400	710,562
Amounts appropriated for expenditure	1,000	(1,000)	-
	_____	_____	_____
Endowment net assets, end of the year	<u>\$ 8,276,926</u>	<u>\$ 224,278</u>	<u>\$ 8,501,204</u>

**NOTE 9 – ACCRUED COMPENSATORY TIME**

The Association established a paid vacation plan for eligible part-time and full-time employees. Part-time employees earn vacation time if they work a total of 260 hours or more in a quarter. The plan is calculated by taking the number of hours worked in the quarter divided by 13 weeks divided by 4. Full-time professionals receive 20 days of vacation time annually. Non-professionals who have been employed 10 or more years also receive 20 days of vacation time annually. Non-professionals employed less than 10 years receive 15 days of vacation time annually. Unpaid earned accrued vacation liability for 2021 and 2020 was \$30,007 and \$26,725 respectively.

<b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b>
--------------------------------------------------------------------------------------

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Association’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021
Financial assets at year end	\$ 8,883,797
Less those unavailable for general expenditures within one year due to:	
Donor-restricted	287,101
Board Designated- endowment fund	8,276,926
Financial assets available to meet cash needs for general expenditure within one year	\$ 319,770

The Association developed a Strategic Plan for 2021-2024 to develop revenue, fundraising, and cost management plans that position the Association on a sustainable path at any level of public funding.

**NOTE 11 – CONCENTRATION OF CREDIT RISK**

The Association maintains several bank accounts at one financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash at this institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$148,298 at December 31, 2021.

**NOTE 12 – CONTINGENCIES, RISKS, AND UNCERTAINTIES**

The Association’s revenue consists of a variety of governmental funding and investment funds. The governmental funding is dependent on current economic conditions and community needs as defined by governmental units. These funds could be terminated or significantly reduced with minimal notice. Investments in general are exposed to various risk, such as interest rate, credit, and overall market volatility risk. It is reasonably possible that changes in value of the Association’s governmental funding and investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

**NOTE 13 – PAYCHECK PROTECTION LOAN**

The Association received loans from Northwest Bank via the U.S. Small Business Administration in 2021 and 2020, in the amount of \$89,413 and \$107,760, respectively, under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Association applied for and has been notified in 2021 that all \$197,173 in eligible expenditures for payroll and other expenses described in the CARES Act have been forgiven. The \$89,413 and the \$107,760 are reflected in the Statements of Activities and Changes in Net Assets as income.



<p style="text-align: center;"><b>James Prendergast Library Association</b> <b>Notes to Financial Statements</b></p>
--------------------------------------------------------------------------------------------------------------------------

**NOTE 14 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various activities have been summarized in the Statements of Activities and Changes in Net Assets. The Association allocated its expenses on a functional basis among program and supporting activities and then summarized and categorized based upon their functional classification. Expenses that can be identified with a specific program or activity are allocated directly according to their natural expenditure classification. Certain categories of expenses are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses such as salaries and wages, and employee benefits are allocated on basis of estimates of time and effort. The other expenses that are common to multiple functions are allocated by various statistical percentages determined by management.

**NOTE 15 - SUBSEQUENT EVENTS**

Events and transactions which have occurred from December 31, 2021 through June 7, 2022, the date these financial statements were available to be issued, have been evaluated by management for the purpose of determining whether there were any events that might require disclosure in these financial statements.

Novel Coronavirus (COVID-19)

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the Association and its future results and financial position are not presently determinable.