

**FRIENDS OF THE ANN ARBOR  
DISTRICT LIBRARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

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# STEFFORIA, PETIK & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
Friends of the Ann Arbor District Library

We have reviewed the accompanying statements of financial position of Friends of the Ann Arbor District Library (a Michigan non-profit corporation) as of June 30, 2016 and 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

### **Accountants' Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Stefforia, Petik & Associates, P.C.*

September 14, 2016

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 50,966	\$ 45,770
Accounts receivable	1,971	-
Investments	-	50,000
Total current assets	52,937	95,770
Property and equipment		
Furniture and equipment	15,704	15,704
Accumulated depreciation	(10,425)	(9,657)
Total property and equipment	5,279	6,047
Other assets		
Agency Endowment fund	14,035	14,588
Total other assets	14,035	14,588
Total assets	\$ 72,251	\$ 116,405
 <b>Liabilities and Net Assets</b>		
Net assets:		
Unrestricted		
Undesignated	48,216	91,817
Designated - Gene Wilson Fund	10,000	10,000
Temporarily restricted		
Agency Endowment fund	3,935	4,488
Permanently restricted		
Agency Endowment fund	10,100	10,100
Total net assets	72,251	116,405
Total liabilities and net assets	\$ 72,251	\$ 116,405

*See Accountants' Review Report and Notes to Financial Statements*

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>Unrestricted net assets</b>		
Revenue		
Sales of books and materials	\$ 139,739	\$ 104,823
Memberships	10,100	10,965
Interest	205	255
Total revenue	150,044	116,043
Support		
Contributions	738	1,936
In-kind contributions	155,244	120,328
Total support	155,982	122,264
Other changes in unrestricted net assets:		
Gain on sale of fixed assets	-	225
Total unrestricted revenues and support	306,026	238,532
Expenses		
Program services		
Cost of donated materials for resale	139,739	104,823
Library support	140,250	60,250
Bookshop	63,799	62,567
Supporting services		
Management and general	5,839	10,798
Total expenses	349,627	238,438
<b>Increase (Decrease) in Unrestricted Net Assets</b>	(43,601)	94
<b>Temporarily Restricted Net Assets</b>		
Endowment Fund activity	(553)	35
<b>Increase in Temporarily Restricted Net Assets</b>	(553)	35
Increase (decrease) in net assets	(44,154)	129
Net assets at beginning of year	116,405	116,276
Net assets at end of year	\$ 72,251	\$ 116,405

*See Accountants' Review Report and Notes to Financial Statements*

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Payroll expenses:			
Salary and wages	\$ 23,917	\$ -	\$ 23,917
Payroll taxes	2,543	-	2,543
Total payroll expenses	<u>26,460</u>	<u>-</u>	<u>26,460</u>
Other expenses:			
Advertising	2,238	-	2,238
Accounting	-	3,538	3,538
Bank charges	886	-	886
Building space rental - donated	15,505	-	15,505
Depreciation	768	-	768
Dues and memberships	-	40	40
Insurance	871	450	1,321
Membership	-	272	272
Miscellaneous	280	-	280
Parking	3,683	-	3,683
Payroll processing fees	457	-	457
Postage	167	-	167
Printing and copying	492	-	492
Receptions	-	1,419	1,419
Supplies	4,806	120	4,926
Taxes - sales	6,010	-	6,010
Telephone	797	-	797
Water	379	-	379
Total operating expenses	<u>\$ 63,799</u>	<u>\$ 5,839</u>	<u>\$ 69,638</u>

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**JUNE 30, 2015**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Payroll expenses:			
Salary and wages	\$ 25,741	\$ 2,860	\$ 28,601
Payroll taxes	2,426	269	2,695
Total payroll expenses	<u>28,167</u>	<u>3,129</u>	<u>31,296</u>
Other expenses:			
Advertising	2,157	-	2,157
Accounting and auditing	-	4,317	4,317
Bank charges	63	94	157
Building space rental - donated	15,505	-	15,505
Credit card processing fees	441	-	441
Depreciation	415	104	519
Dues and memberships	-	120	120
Insurance	695	1,089	1,784
Membership	352	-	352
Miscellaneous	44	11	55
Parking	3,773	-	3,773
Payroll processing fees	408	45	453
Postage	-	146	146
Printing and copying	470	-	470
Receptions	-	1,743	1,743
Supplies	4,901	-	4,901
Taxes - sales	4,316	-	4,316
Telephone	742	-	742
Water	118	-	118
Total operating expenses	<u>\$ 62,567</u>	<u>\$ 10,798</u>	<u>\$ 73,365</u>

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (44,154)	\$ 129
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	768	519
Agency Endowment fund activity	553	(35)
Gain on sale of fixed assets	-	(225)
Changes in operating assets and liabilities		
Accounts receivable	(1,971)	
Accounts payable	-	(493)
	(44,804)	(105)
Cash flows from investing activities:		
Purchase of fixed assets	-	(6,566)
Proceeds from sale of fixed assets	-	225
Proceeds from investments	50,000	15,000
Net cash provided by investment activities	50,000	8,659
Net increase in cash and cash equivalents	5,196	8,554
Cash and cash equivalents at beginning of year	45,770	37,216
Cash and cash equivalents at end of year	\$ 50,966	\$ 45,770
Supplemental disclosures		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

*See Accountants' Review Report and Notes to Financial Statements*



**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Friends of the Ann Arbor District Library (FAADL) is a Michigan non-profit corporation founded in 1953 with a mission to promote knowledge of and interest in the resources of the Ann Arbor District Library (AADL), to raise funds for its services and programs, and to provide volunteer assistance as needed. FAADL provides an annual grant to benefit the AADL through the operation of a bookshop that sells donated books and materials, primarily to residents in Washtenaw County, Michigan and book dealers in southeastern Michigan, northern Ohio and other locations in the continental United States. The grant provided to the AADL by FAADL was \$140,250 for the year ended June 30, 2016 and \$60,250 for the year ended June 30, 2015.

FAADL derives its income from bookshop sales, membership dues, investment income and contributions.

Basis of Accounting

The accompanying financial statements of FAADL have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation is in accordance with US GAAP Codification of Accounting Standards, Topic 958, Presentation of Financial Statements. Under US GAAP Codification Topic 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

FAADL considers all certificates of deposit and financial instruments with an original maturity period of less than three months to be cash equivalents.

Accounts Receivable

Accounts receivable are uncollateralized and have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of June 30, 2016 based on a review by management of the estimated ability to collect the outstanding amount. There were no balances over 90 days old as of June 30, 2016.

Inventory

Due to the nature of the donated goods, management believes it is impracticable to value inventory. Therefore, no value for beginning or ending inventory has been included in these financial statements.

Investments

Investments consisted of a short-term certificate of deposit at June 30, 2015. The investment was recorded at fair value, which is equal to cost.

Property and Equipment

Property and equipment are stated at cost if purchased or at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major expenditures in excess of \$500 for property that also have estimated

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

useful lives of three years or more are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Total depreciation expense was \$768 for the year ended June 30, 2016. All property and equipment as of June 30, 2015 was fully depreciated and therefore no depreciation expense was recorded for the year ended June 30, 2015.

Donated Services

FAADL records the fair value of contributed services in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by persons possessing those skills and would need to be purchased if they were not donated, as required by US GAAP Codification Topic 958 (formerly SFAS No. 116). No services meeting the above criteria were received and recognized as support by FAADL for they years ended June 30, 2016 and 2015.

In addition, FAADL has a number of unpaid volunteers assisting the organization. No amounts have been recognized in the accompanying financial statements since these contributed services do not meet the criteria noted above.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the Statement of Activities. Indirect costs have been allocated between program services and supporting services based on estimates as determined by management. Although the methods of allocation are considered reasonable, other methods could be used that would produce different allocation amounts.

Income Taxes

FAADL is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. In addition, FAADL qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). FAADL files informational returns in the U.S. federal jurisdiction. That statute of limitations is generally 3 years for federal returns. There were no unrelated business activities during the years ended June 30, 2016 or 2015, accordingly no tax expense was incurred during those years.

Sales Taxes

FAADL collects sales tax on all of the organization's sales to nonexempt customers and remits the entire amount to the state of Michigan. FAADL's policy is to include the tax collected in sales revenues and the remitted taxes to the state in program service expenses.

**FRIENDS OF THE ANN ARBOR DISTRICT LIBRARY  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Advertising Costs

Advertising costs intended to solicit revenue in an exchange transaction are recorded as expenses in the period incurred.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including the date of the independent accountants' review report which is the date the financial statements were available to be issued.

**NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

FAADL's financial instruments consist of cash, accounts receivable and accounts payable. The carrying values for cash and accounts payable approximate their fair value due to their short-term nature.

**NOTE 3 – IN-KIND CONTRIBUTIONS**

In-kind contributions consist of the value (established selling price) of books and materials donated for resale and the fair value of building space donated to FAADL by AADL per mutual agreement. In-kind contributions for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Materials for resale	\$139,739	\$104,823
Building space	<u>15,505</u>	<u>15,505</u>
Total	<u>\$155,244</u>	<u>\$120,328</u>

**NOTE 4 – ENDOWMENT**

During the year ended June 30, 2000, FAADL transferred \$10,100 to the Ann Arbor Area Community Foundation (AAACF) for the purpose of establishing an endowment fund to generate investment income for use by FAADL in perpetuity. Because FAADL named itself beneficiary of the fund, assets transferred to the fund by FAADL are net assets of FAADL while donations to the fund by others are net assets of the Foundation in accordance with US GAAP Codification Topic 958, even though the gift instrument grants variance power to the Foundation. Variance power is defined as the unilateral power to redirect the use of any gifts or assets to another beneficiary. Income distributions are based upon a formula of the market value of the assets under management and are reflected as temporarily restricted endowment fund activity revenue by the beneficiary organization. FAADL reported \$14,035 and \$14,588 as an other asset and (\$553) and \$35 as current income for the years ended June 30, 2016 and 2015, respectively.