



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT***

YEARS ENDED DECEMBER 31, 2019 AND 2018

DRAFT

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of
Westchester Library System
Elmsford, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Westchester Library System which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westchester Library System as of December 31, 2019 and 2018, 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606). *Our opinion is not modified with respect to this matter.*

Saddle Brook, New Jersey

May 1, 2020

WESTCHESTER LIBRARY SYSTEM

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2019</u>	<u>2018</u>
Cash	\$ 3,496,668	\$ 3,479,081
Investments	1,026,202	1,005,032
Grants receivable	280,438	252,175
Accounts and other receivables	135,785	30,329
Prepaid expenses	463,318	589,109
Computer inventory	31,209	57,695
Property and equipment, net	658,979	749,485
Intangible assets, net	<u>6,000</u>	<u>8,000</u>
Total assets	<u>\$ 6,098,599</u>	<u>\$ 6,170,906</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 437,927	\$ 398,716
Deferred revenue		328,939
Deferred rent	282,287	289,790
Post-retirement benefit obligation	<u>4,169,203</u>	<u>3,815,633</u>
Total liabilities	<u>4,889,417</u>	<u>4,833,078</u>
Net assets:		
Without donor restrictions	969,821	1,156,926
With donor restrictions	<u>239,361</u>	<u>180,902</u>
Total net assets	<u>1,209,182</u>	<u>1,337,828</u>
Total liabilities and net assets	<u>\$ 6,098,599</u>	<u>\$ 6,170,906</u>

The accompanying notes are an integral part
of these financial statements.

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2019		Year ended December 31, 2018	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Operating support and revenues:				
Support and revenues:				
Governmental support:				
State grants	\$ 2,199,343	\$ 354,924	\$ 2,190,697	\$ 354,746
County grants	1,017,460		1,017,460	
Total governmental support	3,216,803	354,924	3,208,157	354,746
Private support:				
Contributions	16,818	166,729	201,989	131,833
Special events, net of direct expenses of \$4,734 and \$10,418 for 2019 and 2018, respectively	4,513		792	
Total private support	21,331	166,729	202,781	131,833
Total governmental and private support	3,238,134	521,653	3,410,938	486,579
Revenues:				
Member technology fees	2,847,838		2,807,910	
Interest income	18,889		16,444	
Investment income	21,785		1,491	
Other revenue	28,145		27,096	
Total revenues	2,916,657	2,916,657	2,852,941	2,852,941
Net assets released from restrictions	463,194	(463,194)	390,594	(390,594)
Total operating support and revenues	6,617,985	58,459	6,654,473	95,985
Operating expenses:				
Program services:				
Technology	2,713,269		2,991,908	
Public service	2,510,489		2,391,250	
Total program services	5,223,757		5,383,158	
Supporting services:				
Management and general Fundraising	1,103,385		1,212,285	
Total supporting services	1,275,477		1,393,608	
Total expenses	6,499,235		6,776,766	
Change in net assets from operations	118,750	58,459	(122,293)	95,985
Nonoperating activities:				
Investment return - realized and unrealized gain (loss)	(616)		7,441	
Post-retirement benefit obligation other than periodic costs	(305,240)		779,753	
Total nonoperating activities	(305,856)		787,194	
Change in net assets	(187,106)	58,459	664,901	95,985
Net assets, beginning of year (as previously reported for 2018)	1,156,926	180,902	(131,777)	84,917
Effect of change in accounting principle (see note 2)			623,802	
Net assets, end of year	\$ 969,821	\$ 239,361	\$ 1,156,926	\$ 180,902
				\$ 1,337,828

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (128,647)	\$ 754,503
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations		(196,100)
Depreciation	267,181	242,282
Amortization of intangible asset	2,000	2,000
Pension and post-retirement related changes other than net periodic pension costs	305,240	(779,753)
Deferred rent	(7,503)	(3,766)
Realized gain on investment	(435)	
Unrealized (gain) loss on investments	1,051	(7,441)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(28,263)	(2,175)
Accounts and other receivables	(105,456)	69,423
Prepaid expenses	125,791	(21,072)
Computer inventory	26,486	(15,098)
Increase (decrease) in:		
Accounts payable	39,212	(51,171)
Deferred revenue	(328,939)	334,694
Post-retirement benefits payable	48,330	214,478
Net cash provided by operating activities	<u>216,048</u>	<u>540,804</u>
Cash flows from investing activities:		
Purchase of investments	(22,296)	(801,491)
Sales of investment	510	
Purchases of property and equipment	<u>(176,675)</u>	<u>(54,935)</u>
Net cash used in investing activities	<u>(198,461)</u>	<u>(856,426)</u>
Net increase (decrease) in cash	17,587	(315,622)
Cash, beginning of year	<u>3,479,081</u>	<u>3,794,703</u>
Cash, end of year	<u>\$ 3,496,668</u>	<u>\$ 3,479,081</u>

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	Program services					
	Technology		Public service		Total	
	2019	2018	2019	2018	2019	2018
Salaries	\$ 860,222	\$ 900,207	\$ 857,558	\$ 876,061	\$ 1,717,780	\$ 1,776,268
Fringe benefits	334,523	354,764	359,269	360,381	693,792	715,145
Total salaries and related expenses	1,194,745	1,254,971	1,216,827	1,236,442	2,411,572	2,491,412
Hardware and software maintenance						
Database	413,327	467,054	924	1,702	414,251	468,756
Delivery service	202,262	179,768	267,336	206,800	469,598	386,568
Telephone and internet			418,336	388,044	418,336	388,044
Rent and utilities	195,133	337,185	69		195,202	337,185
Periodicals	110,392	112,606	154,443	154,443	264,835	267,049
Depreciation	201,717	140,629	74,815	103,621	276,532	244,250
Books, film, etc.	252,960	228,061			252,960	228,061
Contractual services	36,377	95,807	100,323	70,595	136,700	166,402
Equipment	8,312	28,395	145,653	85,562	153,965	113,958
Professional development	66,276	94,060	4,071	248	70,347	94,308
Printing and postage	1,454	22,443	38,064	56,105	39,518	78,548
Professional fees	1,129	511	62,064	60,577	63,193	61,088
Supplies	1,529	4,799	1,137	512	2,666	5,311
Travel	6,018	3,206	19,476	13,210	25,494	16,416
Insurance	7,299	6,084	5,872	10,103	13,171	16,187
Memberships	10,410	10,315			10,410	10,315
Miscellaneous	1,929	242	412	2,491	412	2,733
Intangible asset amortization	2,000	3,772	667	795	2,596	4,567
Total operating expenses	\$ 2,713,269	\$ 2,991,908	\$ 2,510,489	\$ 2,391,250	\$ 5,223,757	\$ 5,383,158

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	Management and general		Supporting services		Total	Total program and supporting services	
	2019	2018	2019	2018		2019	2018
Salaries	\$ 427,506	\$ 433,261	\$ 115,800	\$ 129,236	\$ 543,306	\$ 562,497	\$ 2,261,086
Fringe benefits	469,872	591,016	40,169	38,870	510,041	629,886	1,203,833
Total salaries and related expenses	897,378	1,024,277	155,969	168,106	1,053,347	1,192,383	3,464,919
Hardware and software maintenance	8,052	10,030	488	351	8,540	10,381	422,791
Database		3,154			180	3,154	469,598
Delivery service	180					822	418,516
Telephone and internet							195,202
Rent and utilities	71,691	52,593	10,726	10,726	82,417	63,319	347,251
Periodicals	50	2,467	176		226	2,467	276,758
Depreciation	14,222	14,222			14,222	14,222	267,181
Books, film, etc.		1,681				1,681	136,700
Contractual services	7,650	5,179			7,650	5,179	161,615
Equipment	17,801	13,615			17,801	13,615	88,148
Professional development	20,355	17,404		36	20,355	17,440	59,873
Printing and postage	2,524	9,666	112	111	2,636	9,777	65,829
Professional fees	28,812	24,269			28,812	24,269	31,478
Supplies	6,630	7,317	28		6,658	7,317	32,152
Travel	2,909	4,128	4,151	1,845	7,060	5,973	20,231
Insurance	9,551	10,312			9,551	10,312	19,961
Memberships	13,792	9,164	443	148	14,235	9,312	14,647
Miscellaneous	1,788	1,985			1,788	1,985	4,384
Intangible asset amortization							2,000
Total operating expenses	\$ 1,103,385	\$ 1,212,285	\$ 172,093	\$ 181,323	\$ 1,275,477	\$ 1,393,608	\$ 6,499,235
							\$ 6,776,766

The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

1. Nature of the Organization

The Westchester Library System (the Organization) coordinates the efforts of a cooperative of the 38 public libraries serving Westchester County. Its purpose is to provide cost-effective centralized services that reflect economies of scale or specialized expertise which the individual member library cannot afford. The Organization encourages the coordination and sharing of resources among members, provides and supports the technological infrastructure used by member libraries, offers staff development and training for Organization and member library staff and provides advocacy at the local, county, state, and national levels to improve awareness of funding for libraries.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and post-retirement benefit obligations other than periodic costs, and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand deposit accounts with maturities of three months or less. Money market funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of the statement of cash flows.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the balance sheet. Unrealized gains and losses are included in the changes in net assets without donor restriction for the gains and losses that are unrestricted and in the changes in net assets with donor restriction for the gains and losses that are restricted for the support of certain programs. Investment fees are netted against the investment income.

Fair value measurement

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under U.S. GAAP are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Accounts receivable

Accounts receivable consist of amounts unpaid from member libraries. All accounts receivable are expected to be collected within one year.

Grants receivable

Grants receivable consist of amounts unpaid from the New York State and Westchester County. All grants receivable are expected to be collected within one year.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Allowance for doubtful receivables

The Organization determines whether an allowance for uncollectible receivables should be provided, based on management's assessments of the age of the Organization's receivables, current economic conditions and historical experience. As of December 31, 2019 and 2018, the Organization determined that an allowance was not necessary.

Prepaid expenses

Funds disbursed for expenses that will be incurred in future periods are recorded as prepaid expenses.

Computer inventory

Inventories consist of personal computers and other types of computer equipment that are purchased by the Organization for its members. The items are carried at cost, determined on a first-in, first-out basis. Computers for additional member workstations are sold to the members at the Organization's cost. Computers which are provided as replaced items to members are provided at no cost.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line method at rates based on the following estimated useful lives:

Furniture and equipment	3 - 10 years
Leasehold improvements	10 years
Software - online catalog	5 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments in excess of \$5,000 that extend the useful lives are capitalized.

Intangible assets

Intangible assets consist of a mobile library application with an estimated useful life of five years. Amortization is computed using the straight-line method. The mobile library application was put in service in January 2018.

Deferred revenue

Funds received that have not been earned as of the year end dates are reflected as deferred revenue.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. A portion of the Organization's revenue is derived from state and county contracts and grants, which are considered contributions when received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization recognizes revenue from conference and seminar events when the event takes place. Amounts received prior to the commencement of the conference and seminar events, including deposits, are deferred to the applicable period. Financial aid is provided to certain attendees and are recorded as a reduction to fees at the time revenue is recognized.

Member technology fees, which are nonrefundable, are comprised of an exchange element based on the value of benefits. The Organization recognizes the exchange portion of membership dues over the membership period.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of these standards resulted in a change in the way the Organization recognizes revenue for certain government grants which had previously been treated as without donor restriction. These amounts have been reclassified as with donor restriction in the amount of \$354,746 for the year ended December 31, 2018. In addition, prior to the year ended December 31, 2019, the Organization recorded grant income from the state of New York based on the state fiscal year end which resulted in recording deferred income for these grants. The Organization applied Topic 958-605 using the full retrospective method of accounting which resulted in a change to state grant income for the year-end December 31, 2018 by increasing state grant income by \$6,383. The presentation and disclosures of revenue have been enhanced in accordance with the standard, and the changes are presented below.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition (continued)

The full retrospective method of transition required the Organization to disclose the effect of applying the new guidance on each item included in the financial statements.

Balance sheets

The following are items from the balance sheets as of December 31, 2019 and 2018, respectively. The amounts reported below show the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance.

	December 31, 2019			December 31, 2018		
	Amounts that would have been reported	Effect of applying the new guidance	As reported	Amounts as previously reported	Effect of applying the new guidance	As restated
Liabilities:						
Deferred revenue	\$ 611,639	\$ (282,702)	\$ 328,937	\$ 959,124	\$ (630,185)	\$ 328,939
Net assets:						
Without restrictions	\$ 446,913	\$ 522,908	\$ 969,821	\$ 615,427	\$ 541,499	\$ 1,156,926
With donor restrictions	150,630	88,731	239,361	92,216	88,686	180,902
Total net assets	\$ 597,543	\$ 611,639	\$ 1,209,182	\$ 707,643	\$ 630,185	\$ 1,337,828

Statements of activities

The following are the items from the statements of activities for the years ended December 31, 2019 and 2018, respectively. The amounts reported below show the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	December 31, 2019			December 31, 2018		
	Amounts that would have been reported	Effect of applying the new guidance	As reported	Amounts as previously reported	Effect of applying the new guidance	As restated
Support and revenue:						
State grants	\$ 2,572,813	\$ (18,546)	\$ 2,554,267	\$ 2,539,060	\$ 6,383	\$ 2,545,443
Change in net assets	\$ (110,101)	\$ (18,546)	\$ (128,647)	\$ 754,503	\$ 6,383	\$ 760,886
Net assets, beginning of year	\$ 707,643	\$ 630,185	\$ 1,337,828	\$ (46,860)	\$ 623,802	\$ 576,942
Net assets, end of year	\$ 597,543	\$ 611,639	\$ 1,209,182	\$ 707,643	\$ 630,185	\$ 1,337,828

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

3. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and accounts and grants receivable. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. In order to limit their exposure, the Organization and the bank have entered into a collateral and control agreement. Under that agreement, the bank has agreed to secure funds not insured by the Federal Deposit Insurance Corporation by pledging securities as defined in New York State statutes. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentrations of credit risk with respect to accounts receivable are limited due to the number of libraries comprising the Organization's member base and the generally short payment terms. Credit risk with respect to grants receivable are limited due to the fact that grants are received from governmental organizations. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

The Organization has reviewed its operations in light of the COVID-19 pandemic. Based on that review, it does not anticipate that the COVID-19 pandemic will have a material impact on its operations. However, events surrounding Federal and State government responses could change that analysis, and that change could be material.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year end

Cash	\$ 3,496,218
Investments	1,026,202
Grants receivable	280,438
Accounts and other receivables	<u>135,785</u>
 Total financial assets	 <u>4,938,643</u>
 Less amounts not available to be used within one year:	
Net assets with donor restrictions	239,361
Less net assets with purpose restrictions to be met in less than a year	<u>(239,361)</u>
	<u>-</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 4,938,643</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,700,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including grants, fees for services, and contributions.

The Organization also has a line of credit available to meet short-term needs in the amount of \$500,000 (see note 13).

5. Investments

Investments are stated at fair value and summarized as follows at December 31:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 7	\$ 7	\$ 532	\$ 532
United States Treasuries	<u>1,022,775</u>	<u>1,026,195</u>	<u>1,000,069</u>	<u>1,004,500</u>
	<u>\$ 1,022,782</u>	<u>\$ 1,026,202</u>	<u>\$ 1,000,601</u>	<u>\$ 1,005,032</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

5. Investments (continued)

The following schedule summarizes the investment return at December 31. All investment earnings are available for the unrestricted use of the Organization:

	2019	2018
Dividends and interest	\$ 21,785	\$ 1,491
Realized and unrealized gain (loss)	(616)	7,441
	\$ 21,169	\$ 8,932

6. Fair value measurement

The classification of the Organization's investment securities at fair value is as follows at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Cash	\$ 7	\$	\$	\$ 7
United States Treasury bills	1,026,195			1,026,195
	\$ 1,026,202	\$	\$	\$ 1,026,202

The classification of the Organization's investment securities at fair value is as follows at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash	\$ 532	\$	\$	\$ 532
United States Treasury bills	1,004,500			1,004,500
	\$ 1,005,032	\$	\$	\$ 1,005,032

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

7. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2019	2018
Furniture and equipment	\$ 1,679,540	\$ 1,624,202
Leasehold improvements	99,857	99,857
Software – online catalog	121,337	
	1,900,734	1,724,059
Less accumulated depreciation	1,241,755	974,574
	\$ 658,979	\$ 749,485

Depreciation expense for the years ended December 31, 2019 and 2018 was \$267,181 and \$242,282, respectively.

8. Intangible assets

Intangible assets consists of the following:

	December 31,	
	2019	2018
Mobile library application	\$ 10,000	\$ 10,000
Less accumulated amortization	4,000	2,000
	\$ 6,000	\$ 8,000

Amortization expense for the years ended December 31, 2019 and 2018 was \$2,000 and \$2,000 respectively.

Estimated amortization expense for each of the next four years ended December 31 is as follows: 2020 - \$2,000; 2021 - \$2,000 and 2022 - \$2,000.

9. Deferred rent

During the year 2016, the Organization moved to a new facility and entered into an operating lease that has escalations throughout the term of the lease. The Organization received twelve months of free rent in year one. The Organization records rent expense on a straight-line basis and the difference between rent expense and the lower rental amounts actually paid to the landlord is reported as deferred rent in the accompanying statement of financial position. As of December 31, 2019, and 2018, deferred rent amounted to \$282,287 and \$289,790, respectively.

WESTCHESTER LIBRARY SYSTEM
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10. Post-retirement benefit obligation

The Organization provides post-retirement health care benefits to eligible past and present employees. Eligibility includes those who have retired or will retire at age 55 or thereafter, and who have been employed by the Organization for at least ten years of service prior to retirement. Effective December 15, 2007, the employer subsidy has been capped and frozen at the 2008 annual premiums.

The accumulated post-retirement benefit obligation is calculated using discount rates of 3.07% and 4.09% for the years ended December 31, 2019 and 2018, respectively.

The following table presents the changes in the accumulated benefit obligation.

	December 31,	
	2019	2018
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 3,815,533	\$ 4,380,908
Service cost	64,832	80,912
Interest cost	148,146	143,023
Plan participant contributions	29,200	40,571
Actuarial (gain) loss	383,683	(643,087)
Benefits paid	(272,291)	(186,794)
Accumulated post-retirement benefit obligation, December 31	\$ 4,169,103	\$ 3,815,533
Change in plan assets:		
Fair value of plan assets, January 1	\$	\$
Employer contributions	202,147	111,836
Employee contributions	29,200	40,571
Medicare Part B reimbursement paid to retirees	40,944	34,387
Benefits paid	(272,291)	(186,794)
Fair value of plan assets, December 31	\$	\$
Funded status:		
Unfunded benefit obligation	\$ 4,169,103	\$ 3,815,533
	December 31,	
	2019	2018
Components of net periodic benefit cost:		
Service cost	\$ 64,832	\$ 80,912
Interest cost	148,146	143,023
Amortization of actuarial loss	78,443	136,766
	\$ 291,421	\$ 360,701

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

10. Post-retirement benefit obligation (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2019	2018
Medical trend rate next year	7.5% / 5.00%	7.50% / 5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2024 / 2009	2023 / 2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	3.07%	4.09%
Discount rate used to value end of year net periodic post-retirement benefit costs	4.09%	3.47%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 40,968	\$ 39,462
b. Accumulated post-retirement benefits	302,403	248,778
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	\$ (13,618)	\$ (16,679)
b. Accumulated post-retirements benefits	(232,399)	(192,220)

The Organization's estimate of future benefit payments, net of employee contributions, are as follows:

Year ending December 31:	
2020	\$ 211,071
2021	189,162
2022	196,501
2023	203,123
2024	206,906
2025 - 2028	1,085,121

11. Commitments and contingencies

Office lease

The Organization leases its office facilities under an operating lease expiring on June 30, 2027. The lease provides for minimum annual rental payments as follows:

Year ending December 31:	
2020	\$ 305,026
2021	312,145
2022	319,263
2023	326,382
2024	333,500
Thereafter	864,005
	\$ 2,460,321

The Organization's rent expense, including escalation charges, for the years ended December 31, 2019 and 2018 was \$346,877 and \$330,367, respectively.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

11. Commitments and contingencies (continued)

Copier lease

In June 2016, the Organization entered into a four-year lease expiring May 31, 2021. The monthly lease payments for the equipment are \$760. Minimum lease payments for the subsequent years are as follows:

Year ending December 31:	
2020	\$ 9,120
2021	<u>3,800</u>
	<u>\$ 12,920</u>

12. Government grants and contracts and advances under government grants

The Organization operates under various contracts with government agencies which generally cover a one-year period, subject to annual renewals. The terms of these contracts allow the grantors the right to audit the costs incurred thereunder and adjust contract funding based upon the amount of program income received. Any costs disallowed by the grantor would be absorbed by the Organization and any adjustments by grantors would be recorded when amounts are known, however, it is the opinion of management that disallowances, if any, would be immaterial and adjustments, if any, would not have a material adverse effect on the financial position of the Organization. Funds received in period prior to the cost being incurred are deferred until future period.

13. Letter of credit and line of credit

During the years ended December 31, 2019 and 2018, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$3,750,000 and \$4,500,000. The Irrevocable Stand-by Letter of Credit expires on March 24, 2020. The full amount is available in one withdrawal only. There were no borrowings during the years and no amounts were outstanding at both Decembers 31, 2019 and 2018.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution with a maturity date of August 31, 2020. The interest rate on the line is 5.25%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2019 and 2018.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

14. Net assets

Net assets were as follows for the years ended December 31, 2019 and 2018:

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 969,821	\$	\$ 969,821	\$1,156,926	\$	\$1,156,926
Specific purpose:						
Gates Staying Connected Training Program		5,094	5,094		5,094	5,094
Bruni Verges Memorial Fund		1,098	1,098		4,231	4,231
People and Stories		2,096	2,096		2,096	2,096
Battle of the Books					11	11
MiniGrants		35,100	35,100		44,986	44,986
TASC Connect		3,113	3,113		5,000	5,000
Marketing and Professional Development		8,218	8,218		12,018	12,018
Early Literacy		5,000	5,000		18,000	18,000
Library and training		88,731	88,731		88,686	88,686
2020 Census		53,396	53,396			
Xprize		10,235	10,235			
Digital Resources		25,000	25,000			
Music & Memory		1,500	1,500			
Broadband Technology Opportunities Program (BTOP)		780	780		780	780
Total net assets	<u>\$ 969,821</u>	<u>\$ 239,361</u>	<u>\$1,209,182</u>	<u>\$1,156,926</u>	<u>\$ 180,902</u>	<u>\$1,337,828</u>

Releases from net assets with donor restrictions are as follows at December 31:

	2019	2018
Satisfaction of purpose restrictions		
Broadband Technology Opportunities Program	\$ 19,950	\$ 34,033
LIU Certificate	23,000	32,950
Learning Ambassadors	3,446	3,650
Battle of the Books	3,011	3,873
MiniGrants	9,886	8,015
TASC Connect	6,887	15,200
Early Literacy	15,000	10,000
Marketing and Professional Development	3,800	16,813
2020 Census	9,604	
Xprize	10,598	
Bruni	3,133	
Library and training	354,879	266,060
	<u>\$ 463,194</u>	<u>\$ 390,594</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

15. Pass-through grants

The Organization is a party to certain agency transactions whereby grants are passed through the Organization to their intended beneficiaries. Pass-through grants were as follows:

	December 31,	
	2019	2018
Central Library Aid	\$ 39,600	\$ 53,000
Local Library Services Aid	282,606	282,465
Westchester Community College	1,308	1,308
Grants in Aid	241,668	120,000
	\$ 565,182	\$ 456,773

16. Significant source of support

During the years ended December 31, 2019 and 2018, the Organization received approximately 38% and 38%, respectively, of its total support and revenues from grants from the State of New York and approximately 15% and 15%, respectively, from Westchester County grants.

17. Subsequent events

Subsequent events have been evaluated through May 1, 2020, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.