

## WESTCHESTER LIBRARY SYSTEM

### Trustee Meeting

May 25, 2021 – Approval Pending

#### REGULAR MEETING

The Regular Meeting of the Westchester Library System was called to order by Susan Morduch, President, at 6:05 p.m. and was held via Zoom due to COVID-19 restrictions. The quorum requirement was met with the following people in attendance.

Board Members present: Andrea Bober, Cathy Draper, Wes Iwanski, Karen Kelley, Maureen LeBlanc, Jonathan Marshall, Denise Matthews-Serra, Julie Mills-Worthey, Susan Morduch, Francis Okelo, Joseph Puglia, Edris Scherer, Bernie Seiler, Karen Zevin

Board Members absent: None

Also present from WLS were: Terry Kirchner, Wilson Arana, Pat Brigham, Rob Caluori, Joe Maurantonio, Elise Burke

Public Library Directors Association (PLDA) Representative: Greg Wirszyła, Director, Bronxville Public Library

Guests: Ed Baltazar and Narcisa Laboy, Dorfman Music Abrams; Karen LaRocca-Fels, Director, Ossining Public Library; Cindy Rubino, Director, and Kathleen Iglesias, Library Staff, Lewisboro Library; Mary Drake and Barry Johnson, Trustees, The Warner Library/Tarrytown; Jennifer Daddio, Director, Somers Library; Mary Kane, Director, Katonah Village Library; Patricia Perito, Director, Town of Pelham Public Library; Tracy Wright, Director, Eastchester Public Library; Vivian Gufarotti, Interim Director, Mount Pleasant Public Library; Elizabeth Hobson, Director, Dobbs Ferry Public Library; Donna Pesce, Director, Briarcliff Manor Public Library; Angela Groth, Director, Ardsley Public Library; Timur Davis, Director, Mount Vernon Public Library.

#### COMMITTEE REPORTS

**Audit Committee:** Dr. Morduch welcomed Ed Baltazar from Dorfman Music Abrams, the independent auditors who performed the 2020 financial audit for WLS. Mr. Baltazar reviewed in detail the draft copies of the WLS Financial Statements and Report to those Charged with Governance for fiscal year ending 12/31/2020 that had been reviewed by the WLS Audit Committee on May 10<sup>th</sup>. The auditors gave WLS a clean, unmodified opinion.

It was noted that the Paycheck Protection Program (PPP) loan is expected to be forgiven in 2021; that is when the full amount will be recognized as revenue. All controls and COVID procedures were followed. There were a normal amount of adjusting entries, and expenses were comparable year to year. It was a good audit, and Mr. Caluori was congratulated for a job well done.

Mr. Wirszyła asked Mr. Baltazar whether the e-Rate funding is restricted or not restricted. Mr. Caluori explained that it is treated as a credit to the Telephone and Internet Expense line; more detail can be provided internally if needed.

The WLS Board approved the Financial Statements and Report to those Charged with Governance for the WLS fiscal year ending 12/31/2020 as submitted (see attached) on a motion by Ms. Kelley and seconded by Ms. Zevin. The motion was approved unanimously.

## **MINUTES**

The minutes of the 4/27/2021 meeting were reviewed. The Board accepted the minutes as submitted on a motion by Ms. Kelley and seconded by Mr. Puglia. The motion was approved unanimously.

## **FINANCIAL REPORTS**

The financial report through April 2021 was reviewed in detail by Mr. Caluori. The report of Temporarily Restricted Net Assets for the period through April 2021 was also distributed and reviewed. The financial report was accepted on a motion by Ms. Scherer and seconded by Mr. Iwanski. The motion was approved unanimously.

## **ACTION ITEMS**

***WLS Service Level Agreement (SLA) / IT Billing Structure:*** Dr. Morduch gave an overview of the last 1-1/2 years that led to this request for a new SLA and billing structure. The proposed SLA offers more flexible service options to the member libraries that required review of the factors to be used in the billing structure that determines the pricing for the following categories of service: ILS Maintenance; Network Managed Services; Device Support and Maintenance; and Wireless Service.

A number of recommendations for the proposed IT billing structure were developed by WLS staff in conjunction with the PLDA Finance Committee, which was originally based on an 18-month period (July 1, 2021-December 31, 2022) in which each library would need to approve to continue receiving services from WLS as of July 1, 2021.

To help reduce the financial impact on member libraries during this transition to the SLA approach of contracting for IT-related services, two options (Option A and Option B) for ILS Maintenance were presented to PLDA at their May General Membership Meeting—each using different factors in the framework to determine how related expenses would be allocated to each member library. Option A focuses on activities at the home library and Option B uses the current model with the base membership and ILS maintenance factors combined. No consensus was reached by PLDA for which option to use, and concern remained about the increase to fees. The following recommendations were made by WLS staff:

- Implement the 2019 IT Funding Model with a 4% increase (excluding digital content) for the July-December 2021 IT invoicing.
- Continue discussions on the billing components to be included in the proposed IT billing structure concerning Option A or B for ILS Maintenance to be part of the Service Level Agreement (SLA) that would be implemented beginning January 1, 2022.
  - In order to implement the billing in a timely manner, Option A or B for ILS Maintenance would need to be determined by PLDA at their next scheduled meeting on May 27, 2021, or no later than June 17, 2021. If no decision is made, Option A based on the home library activities would be the default option.
  - Member libraries interested in using WLS IT services will need to sign the SLA agreement by September 30, 2021, and indicate what level of services are requested for the January-December 2022 time frame. WLS will host information workshops for library trustees and staff to review the SLA and to answer questions.

Discussion followed that included:

- What is the relationship between the SLA and the funding model and the timing required for proper implementation and invoicing;
- Whether the aggregate amount invoiced under both suggested options cover expenses;
- The current IT budget is operating at a deficit but is expected to break even by the 2023 budget;
- How is inflation accounted for within the billing structure and how will budget increases be used to provide healthy levels of service;
- How can budget increases/decreases be fairly distributed to the libraries;
- The need to create an understandable model based on clear metrics; and
- How to move forward without imposing a decision on PLDA.

The library directors present were invited to share comments that included the following:

- The increased offered was very abrupt, but revised options offered are more palatable.
- Small communities are more impacted and may put libraries in danger of not meeting minimum standards.
- Supportive of interchangeable services, but some libraries are going totally independent of WLS.
- Nothing can be done for those libraries who want to move away from WLS to keep them.
- New SLA changes how increases are implemented.
- Need for consistency in terminology.
- Amount of increase to services was frustrating, especially at this time when many libraries are facing budget cuts.
- Responsive to audit, new helpdesk software helpful.

The Board accepted the recommendation made as noted above on a motion by Ms. Kelley and seconded by Ms. Draper. The motion passed with 12 votes in favor, 1 against [Ms. Matthews-Serra] and 1 abstention [Mr. Iwanski].

## **PRESIDENT REPORT**

Dr. Morduch noted that several NYS Legislators offered Grants-in-Aid funding to member libraries and WLS in their districts. Mr. Seiler completed the board-to-board questionnaire and sent a summary report to WLS trustees and is working on reports by WLS districts, which should be completed soon. Good information was received, and a number of library trustees have volunteered to help coordinate future trustee trainings along with the WLS Board. Any trustees interested in participating may contact Mr. Seiler.

## **COMMITTEE REPORTS**

*Strategy Committee:* Mr. Okelo, Chair, noted that the Committee's next meeting will be on June 14<sup>th</sup>, and an agenda will be sent.

**EXECUTIVE DIRECTOR'S REPORT**

A copy of the Executive Director's Report was mailed in advance of the meeting.

Dr. Kirchner reported that the IT billing structure has been the driving force for the past few weeks. The NYS legislative session will finish at the end of June, and several bills awaiting Governor Andrew Cuomo's signature affect libraries and include a requirement for trustee education and changes to the NYS Construction Aid Program.

**PLDA LIAISON'S REPORT**

Mr. Wirszyła reported that the main topic discussed at the May PLDA General Membership Meeting was the IT Finance Model and already covered.

**OTHER**

Dr. Kirchner noted that the next WLS Board Meeting could be in person, depending on whether the exemption to in-person voting requirements in the Open Meetings Law is extended.

**ADJOURNMENT**

Having completed its agenda, the Board adjourned its meeting at 8:16 p.m. on a motion by Mr. Puglia and seconded by Ms. LeBlanc that passed unanimously.

Respectfully submitted,

*/s/ Bernie Seiler*

Bernie Seiler  
Secretary



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

***YEARS ENDED DECEMBER 31, 2020 AND 2019***

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Saddle Brook, New Jersey

May xx, 2021

WESTCHESTER LIBRARY SYSTEM

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2020</u>	<u>2019</u>
Cash	\$ 3,496,027	\$ 3,496,668
Investments	1,037,654	1,026,202
Grants receivable	625,078	280,438
Accounts and other receivables	306,783	135,785
Prepaid expenses	495,685	463,318
Computer inventory	254,223	31,209
Property and equipment, net	454,463	658,979
Intangible assets, net	4,000	6,000
Total assets	<u>\$ 6,673,913</u>	<u>\$ 6,098,599</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 823,867	\$ 437,927
Deferred revenue	10,256	
Deferred rent	267,665	282,287
Refundable advance - Paycheck Protection Program	564,265	
Post-retirement benefit obligation	5,038,065	4,169,203
Total liabilities	<u>6,704,118</u>	<u>4,889,417</u>
Net assets:		
Without donor restrictions	(294,220)	969,821
With donor restrictions	264,015	239,361
Total net assets	<u>(30,205)</u>	<u>1,209,182</u>
Total liabilities and net assets	<u>\$ 6,673,913</u>	<u>\$ 6,098,599</u>

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

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2020			Year ended December 31, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating support and revenues:						
Support and revenues:						
Governmental support:						
State grants	\$ 2,114,675	\$ 363,239	\$ 2,477,914	\$ 2,199,343	\$ 354,924	\$ 2,554,267
County grants	1,047,460		1,047,460	1,017,460		1,017,460
Total governmental support	3,162,135	363,239	3,525,374	3,216,803	354,924	3,571,727
Private support:						
Contributions	13,921	181,539	195,460	16,818	166,729	183,547
Special events, net of direct expenses of \$-0- and \$4,734 for 2020 and 2019, respectively				4,513		4,513
Total private support	13,921	181,539	195,460	21,331	166,729	188,060
Total governmental and private support	3,176,056	544,778	3,720,834	3,238,134	521,653	3,759,787
Revenues:						
Member technology fees	2,694,635		2,694,635	2,847,838		2,847,838
Interest income	7,148		7,148	18,889		18,889
Investment income	14,731		14,731	21,785		21,785
Other revenue	12,502		12,502	28,145		28,145
Total revenues	2,729,016		2,729,016	2,916,657		2,916,657
Net assets released from restrictions	520,124	(520,124)		463,194	(463,194)	
Total operating support and revenues	6,425,196	24,654	6,449,850	6,617,985	58,459	6,676,444
Operating expenses:						
Program services:						
Technology	3,012,636		3,012,636	2,713,269		2,713,269
Public service	2,488,076		2,488,076	2,510,489		2,510,489
Total program services	5,500,712		5,500,712	5,223,758		5,223,758
Supporting services:						
Management and general	1,282,416		1,282,416	1,103,384		1,103,384
Fundraising	177,419		177,419	172,093		172,093
Total supporting services	1,459,835		1,459,835	1,275,477		1,275,477
Total expenses	6,960,547		6,960,547	6,499,234		6,499,234
Change in net assets from operations	(535,351)	24,654	(510,697)	118,751	58,459	177,210
Nonoperating activities:						
Investment return - realized and unrealized gain (loss)	(3,279)		(3,279)	(616)		(616)
Post-retirement benefit obligation other than periodic costs	(725,411)		(725,411)	(305,240)		(305,240)
Total nonoperating activities	(728,690)		(728,690)	(305,856)		(305,856)
Change in net assets	(1,264,041)	24,654	(1,239,387)	(187,105)	58,459	(128,646)
Net assets, beginning of year	969,821	239,361	1,209,182	1,156,926	180,902	1,337,828
Net assets, end of year	\$ (294,220)	\$ 264,015	\$ (30,205)	\$ 969,821	\$ 239,361	\$ 1,209,182

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

## WESTCHESTER LIBRARY SYSTEM

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,239,387)	\$ (128,646)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Stock donations		
Depreciation	225,940	267,181
Amortization of intangible asset	2,000	2,000
Pension and post-retirement related changes other than net periodic pension costs	725,411	305,240
Deferred rent	(14,622)	(7,503)
Realized gain on investment		(435)
Unrealized loss on investments	3,279	1,051
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(344,640)	(28,263)
Accounts and other receivables	(170,998)	(105,456)
Prepaid expenses	(32,367)	125,791
Computer inventory	(223,014)	26,486
Increase (decrease) in:		
Accounts payable	385,940	39,211
Deferred revenue	10,256	(328,939)
Post-retirement benefits payable	143,451	48,330
Refundable advance - Paycheck Protection Program	564,265	
Net cash provided by operating activities	<u>35,514</u>	<u>216,048</u>
Cash flows from investing activities:		
Purchase of investments	(14,731)	(22,296)
Sales of investment		510
Purchases of property and equipment	(21,424)	(176,675)
Net cash used in investing activities	<u>(36,155)</u>	<u>(198,461)</u>
Net increase (decrease) in cash	(641)	17,587
Cash, beginning of year	<u>3,496,668</u>	<u>3,479,081</u>
Cash, end of year	<u>\$ 3,496,027</u>	<u>\$ 3,496,668</u>

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

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	Program services				
	Technology		Public service		Total
	2020	2019	2020	2019	
Salaries	\$ 766,360	\$ 860,222	\$ 924,431	\$ 857,558	\$ 1,690,791
Fringe benefits	294,793	334,523	317,173	359,269	611,966
Total salaries and related expenses	<u>1,061,153</u>	<u>1,194,745</u>	<u>1,241,604</u>	<u>1,216,827</u>	<u>2,302,757</u>
Hardware and software maintenance					
Database	372,659	413,327	5,016	924	377,675
Delivery service	10,000	202,262	340,508	267,336	350,508
Telephone and internet			336,106	418,336	336,106
Rent and utilities	165,224	195,133	1,074	69	166,298
Periodicals	110,392	110,392	154,443	154,443	264,835
Depreciation	297,240	201,717	172,709	74,815	469,949
Books, film, etc.	211,413	252,960			211,413
Contractual services	176,065	36,377	33,932	100,323	209,997
Equipment	159,349	8,312	115,629	145,653	274,978
Professional development	291,857	66,276	17,831	4,071	309,688
Printing and postage	14,644	1,454	36,320	38,064	50,964
Professional fees	32	1,129	13,457	62,064	13,489
Supplies	116,222	1,529	632	1,137	116,854
Travel	2,882	6,018	12,313	19,476	15,195
Insurance	6,929	7,299	2,834	5,872	9,763
Memberships	11,808	10,410			11,808
Miscellaneous	2,767	1,929	3,633	412	3,633
Intangible asset amortization	2,000	2,000	35	667	2,802
Total operating expenses	<u>\$ 3,012,636</u>	<u>\$ 2,713,269</u>	<u>\$ 2,488,076</u>	<u>\$ 2,510,489</u>	<u>\$ 5,500,712</u>
					<u>\$ 5,223,758</u>

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

WESTCHESTER LIBRARY SYSTEM  
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 and 2019

	Management and general		Supporting services		Total	Total program and supporting services	
	2020	2019	2020	2019		2020	2019
Salaries	\$ 444,607	\$ 427,506	\$ 123,171	\$ 115,800	\$ 567,778	\$ 543,306	\$ 2,258,569
Fringe benefits	635,225	469,872	41,533	40,169	676,758	510,041	1,288,724
Total salaries and related expenses	1,079,832	897,378	164,704	155,969	1,244,536	1,053,347	3,547,293
Hardware and software maintenance	23,186	8,052	813	488	23,999	8,540	401,674
Database	1,083				1,083		351,591
Delivery service	120	180			120	180	336,226
Telephone and internet							166,298
Rent and utilities	70,376	71,690	10,726	10,726	81,102	82,416	345,937
Periodicals	104	50	176		104	226	470,053
Depreciation	14,527	14,222			14,527	14,222	225,940
Books, film, etc.							209,997
Contractual services	6,626	7,650			6,626	7,650	281,604
Equipment	14,248	17,801			14,248	17,801	323,936
Professional development	1,965	20,355	488		2,453	20,355	53,417
Printing and postage	5,427	2,524	293	112	5,720	2,636	19,209
Professional fees	32,967	28,812	70		33,037	28,812	149,891
Supplies	10,027	6,630		28	10,027	6,658	25,222
Travel	3,550	2,909		4,151	3,550	7,060	13,313
Insurance	9,281	9,551			9,281	9,551	21,089
Memberships	4,713	13,792	325	443	5,038	14,235	8,671
Miscellaneous	4,384	1,788			4,384	1,788	7,186
Intangible asset amortization							2,000
Total operating expenses	\$ 1,282,416	\$ 1,103,384	\$ 177,419	\$ 172,093	\$ 1,459,835	\$ 1,275,477	\$ 6,960,547
							\$ 6,499,234

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

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, 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	7 - 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 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, 2020 and 2019

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 member technology over the membership period.

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 2019 financial statements to conform to the 2020 presentation.



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. Availability and liquidity (continued)

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 14).

5. Investments

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

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 842	\$ 842	\$ 7	\$ 7
United States Treasuries	1,036,670	1,036,812	1,022,775	1,026,195
	\$ 1,037,512	\$ 1,037,654	\$ 1,022,782	\$ 1,026,202

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

	2020	2019
Dividends and interest	\$ 14,731	\$ 21,785
Realized and unrealized loss	(3,279)	(616)
	\$ 11,452	\$ 21,169

6. Fair value measurement

The classification of the Organization's investment securities at fair value is as follows at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash	\$ 842	\$	\$	\$ 842
United States Treasury bills	1,036,812			1,036,812
	\$ 1,037,654	\$	\$	\$ 1,037,654

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

6. Fair value measurement (continued)

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

7. Property and equipment

Property and equipment consists of the following:

	December 31,	
	2020	2019
Furniture and equipment	\$ 1,692,384	\$ 1,679,540
Leasehold improvements	108,437	99,857
Software - online catalog	121,337	121,337
	1,922,158	1,900,734
Less accumulated depreciation	1,467,695	1,241,755
	\$ 454,453	\$ 658,979

Depreciation expense for the years ended December 31, 2020 and 2019 was \$225,940 and \$267,181, respectively.

8. Intangible assets

Intangible assets consists of the following:

	December 31,	
	2020	2019
Mobile library application	\$ 10,000	\$ 10,000
Less accumulated amortization	6,000	4,000
	\$ 4,000	\$ 6,000

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

8. Intangible assets (continued)

Amortization expense for the years ended December 31, 2020 and 2019 was \$2,000 and \$2,000 respectively.

Estimated amortization expense for each of the next three years ended December 31 is as follows: 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, 2020, and 2019, deferred rent amounted to \$267,665 and \$282,287, respectively.

10. Refundable advance - Paycheck Protection Program

In April 2020, the Organization was granted a loan in the amount of \$564,265 pursuant to the Paycheck Protection Program (the PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and related interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a conditional contribution and as such, it has recorded the proceeds of the loan as a refundable advance and has not included it in revenues as of December 31, 2020. The Organization will not recognize income until all conditions were met and the loan is fully forgiven by the Small Business Administration. At the time of the issuance of this report, the Organization believes that they will meet the requirements for full forgiveness of the PPP loan.

11. 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 2.28% and 3.07% for the years ended December 31, 2020 and 2019, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

11. Post-retirement benefit obligation (continued)

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

	December 31,	
	2020	2019
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 4,169,103	\$ 3,815,533
Service cost	88,073	64,932
Interest cost	136,438	148,146
Plan participant contributions	24,981	29,200
Actuarial (gain) loss	844,972	383,683
Benefits paid	(225,502)	(272,291)
	\$ 5,038,065	\$ 4,169,203
Accumulated post-retirement benefit obligation, December 31		
Change in plan assets:		
Fair value of plan assets, January 1		
Employer contributions	\$ 152,789	\$ 202,147
Employee contributions	24,981	29,200
Medicare Part B reimbursement paid to retirees	47,732	40,944
Benefits paid	(225,502)	(272,291)
	\$	\$
Fair value of plan assets, December 31		
Funded status:		
Unfunded benefit obligation	\$ 5,038,065	\$ 4,169,103
	\$	\$
December 31,		
	2020	2019
Components of net periodic benefit cost:		
Service cost	\$ 88,073	\$ 64,832
Interest cost	136,438	148,146
Amortization of actuarial loss	119,561	78,443
	\$ 344,072	\$ 291,421

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

11. Post-retirement benefit obligation (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2020	2019
Medical trend rate next year	7.0% / 5.00%	7.5% / 5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2024 / 2009	2024 / 2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	2.28%	3.07%
Discount rate used to value end of year net periodic post-retirement benefit costs	3.07%	4.09%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 42,446	\$ 40,968
b. Accumulated post-retirement benefits	422,400	302,403
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	\$ (20,261)	\$ (13,618)
b. Accumulated post-retirements benefits	(323,076)	(232,399)

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

Year ending December 31:	
2021	\$ 255,440
2022	230,023
2023	228,030
2024	232,522
2025	233,683
2026 - 2030	1,187,784

12. 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:	
2021	\$ 312,145
2022	319,263
2023	326,382
2024	333,500
2025	340,619
Thereafter	523,386
	\$ 2,155,295

The Organization's rent expense, including escalation charges, for the years ended December 31, 2020 and 2019 was \$330,629 and \$346,877, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

12. 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:	
2021	<u>\$ 3,800</u>

13. 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.

14. Letter of credit and line of credit

During the years ended December 31, 2020 and 2019, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$3,500,000 and \$3,750,000. The Irrevocable Stand-by Letter of Credit expires on July 19, 2021, and is expected to be renewed quarterly. 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, 2020 and 2019.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution with a maturity date of August 31, 2021. The interest rate on the line is 3.75%. There were no borrowings during the years and no amounts were outstanding at both Decembers 31, 2020 and 2019.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

15. Net assets

Net assets were as follows for the years ended December 31, 2020 and 2019:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ (294,220)	\$	\$ (294,220)	\$ 969,821	\$	\$ 969,821
Specific purpose:						
Gates Staying Connected Training Program		5,094	5,094		5,094	5,094
Bruni Verges Memorial Fund People and Stories		973	973		1,098	1,098
MiniGrants		2,096	2,096		2,096	2,096
TASC Connect		11,581	11,581		35,100	35,100
Marketing and Professional Development		3,113	3,113		3,113	3,113
Early Literacy		15,174	15,174		8,218	8,218
Library and Training		9,595	9,595		5,000	5,000
2020 Census		83,564	83,564		88,731	88,731
Xprize					53,396	53,396
Digital Resources		6,575	6,575		10,235	10,235
Music & Memory		25,000	25,000		25,000	25,000
Outreach and Career		1,500	1,500		1,500	1,500
Digital Equity - Local		34,578	34,578			
Vision Labs		47,000	47,000			
Rosen Fund for Snr Svcs		14,237	14,237			
Broadband Technology Opportunities Program (BTOP)		3,385	3,385			
		550	550		780	780
Total net assets	<u>\$ (294,220)</u>	<u>\$ 264,015</u>	<u>\$ (30,205)</u>	<u>\$ 969,821</u>	<u>\$ 239,361</u>	<u>\$ 1,209,182</u>

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

	2020	2019
Satisfaction of purpose restrictions:		
Broadband Technology Opportunities Program	\$ 14,300	\$ 19,950
LIU Certificate	22,350	23,000
Learning Ambassadors	1,394	3,446
Battle of the Books		3,011
MiniGrants	23,519	9,886
TASC Connect		6,887
Early Literacy		15,000
Marketing and Professional Development	18,043	3,800
2020 Census	65,396	9,604
Xprize	3,660	10,598
Bruni	125	3,133
Early Literacy	405	
Vision Labs	765	
Outreach and Career	1,762	
Library and Training	368,405	354,879
	<u>\$ 520,124</u>	<u>\$ 463,194</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

16. 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,	
	2020	2019
Central Library Aid	\$	\$ 39,600
Local Library Services Aid	275,324	282,606
Westchester Community College Grants in Aid	327	1,308
	\$ 275,651	\$ 565,182

17. Significant source of support

During the years ended December 31, 2020 and 2019, the Organization received approximately 38% and 38%, respectively, of its total support and revenues from grants from the State of New York and approximately 16% and 15%, respectively, from Westchester County grants.

18. Subsequent events

Subsequent events have been evaluated through **May xx, 2021**, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.



***REPORT TO THOSE  
CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020***

DRAFT

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

We have audited the financial statements of Westchester Library System for the year ended December 31, 2020, and have issued our report thereon dated May xx, 2021. Professional standards require that we provide you with certain information related to our audit.

This report summarizes our audit, the scope of our engagement, communications required by our professional standards, communications about internal control related matters identified in our audit, and our observations relating to certain business issues being faced by the Organization. We received the full support and assistance of the Organization's personnel. This report is intended solely for the use of the Board of Trustees and management of Westchester Library System, and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to discuss this report and the suggestions contained in it with you in further detail and to assist you with their implementation. We appreciate this opportunity to be of continued service to you and would like to thank the entire staff of the Organization for the courtesies extended to us during the audit.

Saddle Brook, New Jersey

May xx, 2021

## CONTENTS

### DECEMBER 31, 2020 AUDIT RESULTS

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## SUMMARY OF WHAT WE AGREED TO DO

### Our Approach

As discussed with management, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of the Organization
- Issue this Audit Results Summary to management and those charged with governance

### Areas of Audit Emphasis

- Management override of controls
- Revenue recognition and classification
- Classification, allocation and appropriation of net assets
- Post-retirement benefit accounting
- Cut off of revenues and expenses
- Investments
- Prepaid expenses
- Property and equipment
- Functional allocation of expenses
- Report with new accounting pronouncements
- Impact of COVID-19 pandemic on current and future procedures and operations

There were no significant changes to our planned approach of areas of audit emphasis.

## REQUIRED COMMUNICATIONS

Auditing Standards AU-C Section 260, *The Auditor's Communication With Those Charged with Governance*, and other professional standards require the auditor to provide those charged with governance with information pertaining to the planned scope and timing of the audit, representations from management, and significant audit findings that may assist those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including the entity's financial reporting process. These required communications are summarized below.

<u>Area</u>	<u>Comments</u>
<p><b>1. Auditors' Responsibilities under U.S. Generally Accepted Auditing Standards</b></p> <p>As stated in our engagement letter dated December 31, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.</p> <p>Our responsibilities, as prescribed by professional standards, are to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.</p>	<p>Management will acknowledge its responsibility for the Organization's financial statements by signing the letter of representations addressed to Dorfman Abrams Music, LLC.</p> <p>We will issue an unmodified opinion on the Organization's financial statements as of December 31, 2020 and for the year then ended. Our audit opinion will be dated <b>May xx, 2021</b>.</p>
<p><b>2. Planned Scope and Timing of the Audit</b></p>	<p>We performed the audit according to the planned scope and timing previously communicated to you.</p>

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<b>3. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Policies</b>  Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westchester Library System are described in Note 2 to the financial statements.	<b>Lack of Authoritative Guidance</b> We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.  <b>Period of Recognition</b> There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.  <b>Significant Unusual</b> The Paycheck Protection Program funding from the U.S. Small Business Administration was a significant unusual accounting transaction.
<b>4. Qualitative Aspects of the Organization's Significant Accounting Practices – Significant Accounting Estimates</b>  Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.	The most significant estimates affecting the financial statements are: <ul style="list-style-type: none"><li>• Actuarial assumptions which determine the gain recognized for post-retirement benefits</li><li>• Depreciation expense</li><li>• Functional expenses</li><li>• Fair value measurement of investments</li><li>• Availability and liquidity</li></ul>
<b>5. Qualitative Aspects of the Organization's Significant Accounting Practices – Financial Statement Disclosures</b>  Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to the financial statement users.	The disclosures in the financial statements are neutral, consistent, and clear.
<b>6. Significant Difficulties Encountered During the Audit</b>	We encountered no significant difficulties in performing and completing our audit.

## REQUIRED COMMUNICATIONS (continued)

<u>Area</u>	<u>Comments</u>
<b>7. Uncorrected and Corrected Misstatements</b>  For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.  In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.	Management has corrected all identified misstatements.  The attached schedule summarizes misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by management.
<b>8. Fraud and Illegal Acts</b>  We are to report to the Board of Trustees fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	There was no fraud or illegal acts noted during our audit.
<b>9. Other Information in Documents Containing Audited Financial Statements</b>  Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such information.  Our responsibility also includes communicating to you any information, which we believe is a material misstatement of fact.	To our knowledge, the Organization's audited financial statements will not be included in any document issued by the Organization.
<b>10. Disagreements with Management</b>  For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report.	No such disagreements arose during the course of our audit.

<b>REQUIRED COMMUNICATIONS (continued)</b>
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<u>Area</u>	<u>Comments</u>
<b>11. Management Representations</b>	We have requested certain representations from management that are included in the management representation letter dated <b>May xx, 2021</b> .
<b>12. Management's Consultation with Other Accountants</b>  In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.	Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.
<b>13. Other Significant Findings or Issues</b>  In the normal course of our professional association with Westchester Library System, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization and business plans and strategies that may affect the risks of material misstatement.	None of the matters discussed resulted in a condition to our retention as the Organization's auditors.
<b>14. Communication of Internal Control Related Matters Identified in an Audit</b>  We are required to communicate in writing to management and those charged with governance control deficiencies identified during an audit that upon evaluation are considered significant deficiencies or material weaknesses.	See <b>Communication of Internal Control Related Matters</b> section.

<b>REQUIRED COMMUNICATIONS (continued)</b>
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**Area**

**Comments**

**15. Independence**

Generally accepted auditing standards require independence for all audits. The auditor should communicate to those charged with governance circumstances or relationships (for example, financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in the auditor's professional judgment may reasonably be thought to bear on independence and that the auditor gave significant consideration to in reaching the conclusion that independence had not been impaired.

We are not aware of any relationships between Dorfman Abrams Music, LLC and Westchester Library System that, in our professional judgment, may reasonably be thought to bear on our independence.

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## COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

In planning and performing our audit of the financial statements of Westchester Library System as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Westchester Library System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

During the course of our audit, we noted other items, which, while not constituting significant deficiencies and/or material weaknesses, nonetheless represent areas, which, in our opinion, could be improved upon. A comprehensive description of each item, along with our recommendations for remediation, follows in the **Other Recommendations** section of this report.

This communication is intended solely for the information and use of the Board of Trustees and is not intended to be, and should not be, used by anyone other than these specified parties.

## OTHER RECOMMENDATIONS

### **Cash**

To the extent possible, the Organization should make all reasonable efforts to manage the balances of cash in banks so that the deposits in any one bank do not exceed the federally insured limits of \$250,000. In addition, the Organization should continue to regularly monitor the financial condition of the institutions in which it maintains its bank accounts.

### **Year-End Accounting Procedures**

During the course of the audit, the trial balance required various adjusting entries after the auditor's initial review for planning. We recommend that the Organization review its internal controls and procedures to ensure that the trial balance is thoroughly reviewed and all significant account balances are reconciled to supporting schedules so that the Organization's audit financial statements agree with internal reports. Management made initial corrections and provided additional journal entries throughout the audit along with various proposed audit adjustment. The Organization should review all significant accounts on a monthly or quarterly basis to ensure internal reporting is accurate and timely as well.

### **Revenue Recognition**

During the course of the field work, adjustments were made against the receivable to record a transaction into the proper period. Management should develop and implement internal control procedures to ensure that income is recorded in the proper period.

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**CORRECTED MISSTATEMENTS**

**Adjusting Journal Entries JE # 1**

To Record a grant contribution for FY2020 receive in January 2021 not recoded by client

1205	AR Clearing (from FW)	43,900.00	
4880	Restricted Contributions		<u>43,900.00</u>
<b>Total</b>		<u><b>43,900.00</b></u>	<u><b>43,900.00</b></u>

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**RECLASSIFYING JOURNAL ENTRIES – FOR FINANCIAL STATEMENT PURPOSES ONLY**

**Adjusting Journal Entries JE # 1**

To reclassified investment income posted on the wrong account

4701	Interest Income	14,761.00	
4710	Investment Income		14,761.00
<b>Total</b>		<u><u>14,761.00</u></u>	<u><u>14,761.00</u></u>

**Adjusting Journal Entries JE # 2**

To reclassify special event income to contributions due to no event during the year due to COVID 19

4502	Events - Tickets	449.00	
4503	Events - Journals/Sponsorships	5,000.00	
8000	Miscellaneous	18.00	
4200	Contributions		449.00
4200	Contributions		5,000.00
7515	Special Events and Catering		18.00
<b>Total</b>		<u><u>5,467.00</u></u>	<u><u>5,467.00</u></u>

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## ADJUSTMENTS PROVIDED BY CLIENT

### Adjusting Journal Entries JE # 1

PBC - To Update 2020 computer inventory

1400	Computer Inventory	223,014.00	
1990	Due To Due From	195,803.00	
1990	Due To Due From		195,803.00
7202	Computer Equipment		2,953.00
7202	Computer Equipment		195,803.00
7204	Network Hardware & Maintenance		24,258.00
<b>Total</b>		<b>418,817.00</b>	<b>418,817.00</b>

### Adjusting Journal Entries JE # 2

PBC - To correct GL Code

7450	Printing and Publicity Charges	1,000.00	
9000	Contractual Services	47,775.00	
7365	Software Maintenance and Support		1,000.00
7365	Software Maintenance and Support		47,775.00
<b>Total</b>		<b>48,775.00</b>	<b>48,775.00</b>

### Adjusting Journal Entries JE # 3

PBC- Adjustment to post-retirement benefits

2710	Accrued Health Benefits	100.00	
9402	Gain on FASB 158	725,411.00	
9999	DAM Adj to Net Periodic Pension Cost	143,551.00	
2710	Accrued Health Benefits		868,962.00
9016	Bank Service Charges		100.00
<b>Total</b>		<b>869,062.00</b>	<b>869,062.00</b>

### Adjusting Journal Entries JE # 4

PBC -20-21 LLSA Final 10% and 20% held by NYS

1210	Unconditional Promise to Give	77,091.00	
8012	Local Library Services Aid payments	77,091.00	
2800	Accrued Expenses		77,091.00
4304	Local Library Services Aid		77,091.00
<b>Total</b>		<b>154,182.00</b>	<b>154,182.00</b>

### Adjusting Journal Entries JE # 5

PBC- To record leasehold improvements

1500	Lease Hold Improvements	8,580.00	
9400	Depreciation	306.00	
1600	Accum Dep - Lease Hold Improvement		306.00
7000	Buildings and Maintenance		8,580.00
<b>Total</b>		<b>8,886.00</b>	<b>8,886.00</b>

## ADJUSTMENTS PROVIDED BY CLIENT (continued)

### Adjusting Journal Entries JE # 6

PBC - To correct over accrual on dell invoice per client

	2800	Accrued Expenses	824.00		
	7202	Computer Equipment			824.00
<b>Total</b>			<b>824.00</b>		<b>824.00</b>

### Adjusting Journal Entries JE # 7

PBC - To record depreciation of Equinox Migration

	1530	Software	24,267.00		
	9400	Depreciation	24,267.00		
	9400	Depreciation	24,267.00		
	1610	Accum Dep - Furniture & Equipment			24,267.00
	1630	Accum Deprecn Software			24,267.00
	9950	Intangible Assets			24,267.00
<b>Total</b>			<b>72,801.00</b>		<b>72,801.00</b>

### Adjusting Journal Entries JE # 8

PBC To correct accounts per client

	1210	Unconditional Promise to Give	107.00		
	4306	Central Library Development			107.00
<b>Total</b>			<b>107.00</b>		<b>107.00</b>

### Adjusting Journal Entries JE # 9

PBC To correct the depreciation expense erroneously posted by client

	1610	Accum Dep - Furniture & Equipment	25,242.00		
	9400	Depreciation			25,242.00
<b>Total</b>			<b>25,242.00</b>		<b>25,242.00</b>

### Adjusting Journal Entries JE # 10

PBC - To record receivable per client

	1205	AR Clearing (from FW)	1,438.00		
	7102	Telephone - Cellular			1,438.00
<b>Total</b>			<b>1,438.00</b>		<b>1,438.00</b>

### Adjusting Journal Entries JE # 11

PBC - To correct restricted contributions per client

	4200	Contributions	1,445.00		
	4200	Contributions	1,940.00		
	4201	Corporate Contributions	1,500.00		
	4880	Restricted Contributions			1,500.00
	4880	Restricted Contributions			3,385.00
<b>Total</b>			<b>4,885.00</b>		<b>4,885.00</b>

**MANAGEMENT REPRESENTATION LETTER**

**MANAGEMENT REPRESENTATION LETTER (continued)**

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**MANAGEMENT REPRESENTATION LETTER (continued)**

**MANAGEMENT REPRESENTATION LETTER (continued)**

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