



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

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

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 19

## 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.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey

May 10, 2021

# WESTCHESTER LIBRARY SYSTEM

## BALANCE SHEETS

### ASSETS

	December 31,	
	2020	2019
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	<u>(21,424)</u>	<u>(176,675)</u>
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.

## Years Ended December 31, 2020 and 2019

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	Fundraising	2019	2020	2019	2020	2019
Salaries	\$ 444,607	\$ 427,506	\$ 123,171	\$ 115,800	\$ 543,306	\$ 567,778	\$ 543,306	\$ 2,258,569	\$ 2,261,086
Fringe benefits	635,225	469,872	41,533	40,169	510,041	676,758	510,041	1,288,724	1,203,833
Total salaries and related expenses	1,079,832	897,378	164,704	155,969	1,053,347	1,244,536	1,053,347	3,547,293	3,464,919
Hardware and software maintenance	23,186	8,052	813	488	8,540	23,999	8,540	401,674	422,791
Database	1,083					1,083		351,591	469,598
Delivery service	120	180			180	120		336,226	418,516
Telephone and internet								166,298	195,202
Rent and utilities	70,376	71,690	10,726	10,726	82,416	81,102	82,416	345,937	347,251
Periodicals	104	50	176		226	104	226	470,053	276,758
Depreciation	14,527	14,222			14,222	14,527	14,222	225,940	267,181
Books, film, etc.								209,997	136,700
Contractual services	6,626	7,650			7,650	6,626	7,650	281,604	161,615
Equipment	14,248	17,801			17,801	14,248	17,801	323,936	88,148
Professional development	1,965	20,355	488		20,355	2,453	20,355	53,417	59,873
Printing and postage	5,427	2,524	293	112	2,636	5,720	2,636	19,209	65,829
Professional fees	32,967	28,812	70		28,812	33,037	28,812	149,891	31,478
Supplies	10,027	6,630		28	6,658	10,027	6,658	25,222	32,152
Travel	3,550	2,909		4,151	7,060	3,550	7,060	13,313	20,231
Insurance	9,281	9,551			9,551	9,281	9,551	21,089	19,961
Memberships	4,713	13,792	325	443	14,235	5,038	14,235	8,671	14,647
Miscellaneous	4,384	1,788			1,788	4,384	1,788	7,186	4,384
Intangible asset amortization								2,000	2,000
Total operating expenses	\$ 1,282,416	\$ 1,103,384	\$ 177,419	\$ 172,093	\$ 1,275,477	\$ 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

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 ongoing operations. In response to the pandemic, management has modified certain business and workforce practices and implemented new protocols to promote social distancing and enhance health and safety measures. Prior to the Pandemic, the Organization held various onsite training events, which have been continued on a virtual platform since April 2020. Events surrounding Federal and State responses to the COVID-19 virus, and changes to those responses may continue to change that analysis, and that change could be material.

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year end

Cash	\$ 3,496,027
Investments	1,037,654
Grants receivable	625,078
Accounts and other receivables	<u>306,783</u>
Total financial assets	<u>5,465,542</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	264,015
Less net assets with purpose restrictions to be met in less than a year	<u>(264,015)</u>
	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,465,542</u></u>

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
	<u>\$ 1,037,512</u>	<u>\$ 1,037,654</u>	<u>\$ 1,022,782</u>	<u>\$ 1,026,202</u>

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)
	<u>\$ 11,452</u>	<u>\$ 21,169</u>

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
	<u>\$ 1,037,654</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,037,654</u>

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:

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

7. Property and equipment

Property and equipment consists of the following:

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

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:

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

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)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 5,038,065</u>	<u>\$ 4,169,203</u>
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	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 5,038,065</u>	<u>\$ 4,169,103</u>
	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
	<u>\$ 344,072</u>	<u>\$ 291,421</u>

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
	<u>\$ 2,155,295</u>

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		973	973		1,098	1,098
People and Stories		2,096	2,096		2,096	2,096
MiniGrants		11,581	11,581		35,100	35,100
TASC Connect		3,113	3,113		3,113	3,113
Marketing and Professional Development		15,174	15,174		8,218	8,218
Early Literacy		9,595	9,595		5,000	5,000
Library and Training		83,564	83,564		88,731	88,731
2020 Census					53,396	53,396
Xprize		6,575	6,575		10,235	10,235
Digital Resources		25,000	25,000		25,000	25,000
Music & Memory		1,500	1,500		1,500	1,500
Outreach and Career		34,578	34,578			
Digital Equity - Local		47,000	47,000			
Vision Labs		14,237	14,237			
Rosen Fund for Snr Svcs		3,385	3,385			
Broadband Technology Opportunities Program (BTOP)		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	327	1,308
Grants in Aid		<u>241,668</u>
	<u>\$ 275,651</u>	<u>\$ 565,182</u>

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 10, 2021, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.