



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

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

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the accompanying financial statements of Westchester Library System (a nonprofit organization), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westchester Library System as of December 31, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Westchester Library System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Westchester Library System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Westchester Library System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Westchester Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey

April 4, 2022

# WESTCHESTER LIBRARY SYSTEM

## BALANCE SHEETS

### ASSETS

	December 31,	
	2021	2020
Cash	\$ 4,394,949	\$ 3,496,027
Investments	1,037,903	1,037,654
Grants receivable	292,070	625,078
Accounts and other receivables	206,860	306,783
Prepaid expenses	431,569	495,685
Computer inventory	91,887	254,223
Property and equipment, net	329,803	454,463
Intangible assets, net	2,000	4,000
Total assets	<u>\$ 6,787,041</u>	<u>\$ 6,673,913</u>

### LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 841,006	\$ 823,867
Deferred revenue	7,200	10,256
Deferred rent	245,925	267,665
Refundable advance - Paycheck Protection Program		564,265
Post-retirement benefit obligation	<u>4,892,551</u>	<u>5,038,065</u>
Total liabilities	<u>5,986,682</u>	<u>6,704,118</u>
Net assets:		
Without donor restrictions	485,984	(294,220)
With donor restrictions	<u>314,375</u>	<u>264,015</u>
Total net assets	<u>800,359</u>	<u>(30,205)</u>
Total liabilities and net assets	<u>\$ 6,787,041</u>	<u>\$ 6,673,913</u>

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

## STATEMENTS OF ACTIVITIES

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

# WESTCHESTER LIBRARY SYSTEM

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 830,564	\$ (1,239,387)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	204,367	225,940
Amortization of intangible asset	2,000	2,000
Pension and post-retirement related changes other than net periodic pension costs	(266,098)	725,411
Deferred rent	(21,740)	(14,622)
Unrealized loss on investments	173	3,279
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	333,008	(344,640)
Accounts and other receivables	99,923	(170,998)
Prepaid expenses	64,116	(32,367)
Computer inventory	162,336	(223,014)
Increase (decrease) in:		
Accounts payable and accrued expenses	17,139	385,940
Deferred revenue	(3,056)	10,256
Post-retirement benefits payable	120,584	143,451
Refundable advance - Paycheck Protection Program	(564,265)	564,265
Net cash provided by operating activities	<u>979,051</u>	<u>35,514</u>
Cash flows from investing activities:		
Purchase of investments	(422)	(14,731)
Purchases of property and equipment	<u>(79,707)</u>	<u>(21,424)</u>
Net cash used in investing activities	<u>(80,129)</u>	<u>(36,155)</u>
Net increase (decrease) in cash	898,922	(641)
Cash, beginning of year	<u>3,496,027</u>	<u>3,496,668</u>
Cash, end of year	<u><u>\$ 4,394,949</u></u>	<u><u>\$ 3,496,027</u></u>

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 and 2020

	Program services				Total	
	Technology		Public service		2021	2020
	2021	2020	2021	2020		
Salaries	\$ 754,257	\$ 766,360	\$ 919,232	\$ 924,431	\$ 1,673,489	\$ 1,690,791
Fringe benefits	292,960	294,793	183,062	317,173	476,022	611,966
Total salaries and related expenses	1,047,217	1,061,153	1,102,294	1,241,604	2,149,511	2,302,757
Periodicals						
Delivery service		297,240	499,845	172,709	499,845	469,949
Hardware and software maintenance			423,702	336,106	423,702	336,106
Equipment	385,654	372,659	5,508	5,016	391,162	377,675
Rent and utilities	230,198	291,857	140,511	17,831	370,709	309,688
Database	138,949	110,392	131,367	154,443	270,316	264,835
Contractual services	400	10,000	302,088	340,508	302,488	350,508
Telephone and internet	161,191	159,349	112,836	115,629	274,027	274,978
Printing and postage	203,738	165,224	42,605	1,074	246,343	166,298
Professional fees	132	32	56,525	13,457	56,657	13,489
Books, film, etc.	14,116	116,222	2,721	632	16,837	116,854
Insurance		176,065	28,871	33,932	28,871	209,997
Professional development	10,520	11,808	2,724		13,244	11,808
Supplies	437	14,644	19,250	36,320	19,687	50,964
Memberships	3,613	2,882	11,038	12,313	14,651	15,195
Miscellaneous			3,693	3,633	3,693	3,633
Travel	2,490	2,767	2,188	35	4,678	2,802
Depreciation	336	6,929	519		855	9,763
Intangible asset amortization	188,921	211,413		2,834	188,921	211,413
	2,000	2,000			2,000	2,000
Total operating expenses	\$ 2,389,912	\$ 3,012,636	\$ 2,888,285	\$ 2,488,076	\$ 5,278,197	\$ 5,500,712

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



WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 and 2020

	Management and general		Supporting services		Total		Total program and supporting services	
	2021	2020	2021	2020	2021	2020	2021	2020
Salaries	\$ 573,012	\$ 444,607	\$ 101,212	\$ 123,171	\$ 674,224	\$ 567,778	\$ 2,347,713	\$ 2,258,569
Fringe benefits	748,270	635,225	38,467	41,533	786,737	676,758	1,262,759	1,288,724
Total salaries and related expenses	1,321,282	1,079,832	139,679	164,704	1,460,961	1,244,536	3,610,472	3,547,293
Periodicals	286	104			286	104	500,131	470,053
Delivery service		120				120	423,702	336,226
Hardware and software maintenance	14,219	23,186	828	813	15,047	23,999	406,209	401,674
Equipment	15,997	14,248			15,997	14,248	386,706	323,936
Rent and utilities	48,652	70,376	13,306	10,726	61,958	81,102	332,274	345,937
Database		1,083				1,083	302,488	351,591
Contractual services	21,655	6,626			21,655	6,626	295,682	281,604
Telephone and internet							246,343	166,298
Printing and postage	12,102	5,427	96	293	12,198	5,720	68,855	19,209
Professional fees	26,402	32,967		70	26,402	33,037	43,239	149,891
Books, film, etc.							28,871	209,997
Insurance	12,414	9,281			12,414	9,281	25,658	21,089
Professional development	1,894	1,965	665	488	2,559	2,453	22,246	53,417
Supplies	5,533	10,027			5,533	10,027	20,184	25,222
Memberships	11,976	4,713	165	325	12,141	5,038	15,834	8,671
Miscellaneous	1,927	4,384			1,927	4,384	6,605	7,186
Travel	1,198	3,550			1,198	3,550	2,053	13,313
Depreciation							204,367	225,940
Intangible asset amortization	15,446	14,527			15,446	14,527	2,000	2,000
Total operating expenses	\$ 1,510,983	\$ 1,282,416	\$ 154,739	\$ 177,419	\$ 1,665,722	\$ 1,459,835	\$ 6,943,919	\$ 6,960,547

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

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

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 2020 financial statements to conform to the 2021 presentation.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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 when required. Prior to the Pandemic, the Organization held various onsite training events, which have been continued on a virtual platform since April 2020 and are held in-person when practical or required. 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, 2021:

Financial assets at year end

Cash	\$ 4,394,949
Investments	1,037,903
Grants receivable	292,070
Accounts and other receivables	<u>206,860</u>
Total financial assets	<u>5,931,782</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	314,375
Less net assets with purpose restrictions to be met in less than a year	<u>(265,000)</u>
	<u>49,375</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,882,407</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 118	\$ 118	\$ 842	\$ 842
United States Treasuries	1,037,815	1,037,785	1,036,670	1,036,812
	<u>\$ 1,037,933</u>	<u>\$ 1,037,903</u>	<u>\$ 1,037,512</u>	<u>\$ 1,037,654</u>

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

	2021	2020
Dividends and interest	\$ 421	\$ 14,731
Realized and unrealized loss	(173)	(3,279)
	<u>\$ 248</u>	<u>\$ 11,452</u>

6. Fair value measurement

The classification of the Organization's investment securities at fair value is as follows at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash	\$ 118	\$	\$	\$ 118
United States Treasury bills	1,037,785			1,037,785
	<u>\$ 1,037,903</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,037,903</u>

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

6. Fair value measurement (continued)

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>

7. Property and equipment

Property and equipment consist of the following:

	December 31,	
	2021	2020
Furniture and equipment	\$ 1,772,093	\$ 1,692,384
Leasehold improvements	108,437	108,437
Software - online catalog	121,337	121,337
	2,001,867	1,922,158
Less accumulated depreciation	<u>1,672,064</u>	<u>1,467,695</u>
	<u>\$ 329,803</u>	<u>\$ 454,463</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$204,368 and \$225,940, respectively.

8. Intangible assets

Intangible assets consist of the following:

	December 31,	
	2021	2020
Mobile library application	\$ 10,000	\$ 10,000
Less accumulated amortization	<u>8,000</u>	<u>6,000</u>
	<u>\$ 2,000</u>	<u>\$ 4,000</u>

Amortization expense for the years ended December 31, 2021 and 2020 was \$2,000 for both years.

Estimated amortization expense for December 31, 2022 is \$2,000.



WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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, 2021, and 2020, deferred rent amounted to \$245,925 and \$267,665, 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), 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 a company's 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, employee benefits, rent and utilities, and maintains its payroll levels.

The Organization has determined the PPP to be a government grant, and as such it has recorded this grant as government grant income as of December 31, 2021, which is when the conditions were met and the loan was fully forgiven by the Small Business Administration. The loan and related interest were fully forgiven on May 26, 2021.

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 2.67% and 2.28% for the years ended December 31, 2021 and 2020, respectively.

WESTCHESTER LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

11. Post-retirement benefit obligation (continued)

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

	December 31,	
	2021	2020
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 5,038,065	\$ 4,169,103
Service cost	114,406	88,073
Interest cost	115,327	136,438
Plan participant contributions	6,979	24,981
Actuarial (gain) loss	(132,040)	844,972
Benefits paid	(250,186)	(225,502)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 4,892,551</u>	<u>\$ 5,038,065</u>
Change in plan assets:		
Fair value of plan assets, January 1		
Employer contributions	\$ 222,349	\$ 152,789
Employee contributions	6,979	24,981
Medicare Part B reimbursement paid to retirees	20,858	47,732
Benefits paid	(250,186)	(225,502)
Fair value of plan assets, December 31	<u>\$</u>	<u>\$</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 4,892,551</u>	<u>\$ 5,038,065</u>
	December 31,	
	2021	2020
Components of net periodic benefit cost:		
Service cost	\$ 114,406	\$ 88,073
Interest cost	115,327	136,438
Amortization of actuarial loss	134,058	119,561
	<u>\$ 363,791</u>	<u>\$ 344,072</u>

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11. Post-retirement benefit obligation (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2021	2020
Medical trend rate next year	7.0% / 5.00%	7.0% / 5.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is achieved	2025 / 2009	2024 / 2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	2.67%	2.28%
Discount rate used to value end of year net periodic post-retirement benefit costs	2.28%	3.07%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 54,501	\$ 42,446
b. Accumulated post-retirement benefits	395,722	422,400
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	\$ (25,773)	\$ (20,261)
b. Accumulated post-retirements benefits	(303,956)	(323,076)

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

Year ending December 31:	
2022	\$ 237,234
2023	240,734
2024	241,977
2025	238,371
2026	249,746
2027 - 2031	1,207,256

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:	
2022	\$ 319,263
2023	326,382
2024	333,500
2025	340,619
2026	347,737
Thereafter	175,649
	<u>\$ 1,843,150</u>

The Organization's rent expense, including escalation charges, for the years ended December 31, 2021 and 2020 was \$330,626 and \$330,629, respectively.

WESTCHESTER LIBRARY SYSTEM  
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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 was \$760.

In September 2021, the Organization entered into a four-year lease expiring August 31, 2025. The monthly lease payments for the equipment are \$882. Minimum lease payments for the subsequent years are as follows:

Year ending December 31:	
2022	\$ 10,584
2023	10,584
2024	10,584
2025	<u>7,056</u>
	<u>\$ 38,808</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, 2021 and 2020, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$5,000,000 and \$3,500,000. The Irrevocable Stand-by Letter of Credit expires on April 5, 2022, 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 December 31, 2021 and 2020.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution with a maturity date of August 31, 2022. The interest rate on the line is 3.75%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2021 and 2020.

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15. Net assets

Net assets were as follows for the years ended December 31, 2021 and 2020:

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$ 485,984	\$	\$ 485,984	\$ (294,220)	\$	\$ (294,220)
Specific purpose:						
Gates Staying Connected Training Program		5,094	5,094		5,094	5,094
Bruni Verges Memorial Fund		23	23		973	973
People and Stories		2,096	2,096		2,096	2,096
MiniGrants		7,358	7,358		11,581	11,581
TASC Connect		3,113	3,113		3,113	3,113
Marketing and Professional Development					15,174	15,174
Early Literacy		8,979	8,979		9,595	9,595
Library and Training		62,856	62,856		83,564	83,564
Spanish Adult Literacy		23,539	23,539			
Xprize		4,085	4,085		6,575	6,575
Digital Resources		19,584	19,584		25,000	25,000
Music & Memory		1,450	1,450		1,500	1,500
Outreach and Career		26,680	26,680		34,578	34,578
Digital Equity - Local		9,099	9,099		47,000	47,000
Digital Equity - WCF		43,081	43,081			
Vision Labs		5,498	5,498		14,237	14,237
Rosen Fund for Snr Svcs		788	788		3,385	3,385
Broadband Technology Opportunities Program (BTOP)					550	550
Coned-Stem		15,000	15,000			
NYS Gia-Database		50,000	50,000			
NYS Gia-Spanish Adult Literacy		25,000	25,000			
Learning Ambassador		100	100			
Hope for Youth		952	952			
Total net assets	<u>\$ 485,984</u>	<u>\$ 314,375</u>	<u>\$ 800,359</u>	<u>\$ (294,220)</u>	<u>\$ 264,015</u>	<u>\$ (30,205)</u>

WESTCHESTER LIBRARY SYSTEM  
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15. Net assets (continued)

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

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Broadband Technology Opportunities Program	\$ 17,245	\$ 14,300
LIU Certificate	16,850	22,350
Learning Ambassadors	3,120	1,394
MiniGrants	4,223	23,519
Marketing and Professional Development	15,174	18,043
2020 Census		65,396
Xprize	2,490	3,660
Bruni	950	125
Early Literacy	616	405
Vision Labs	8,738	765
Outreach and Career	6,492	1,762
Library and Training	383,951	368,405
Hope for Youth	4,049	
Digital Recourses	5,416	
Spanish Adult Literacy	18,461	
Digital Equity - Local	46,719	
Digital Equity - WCF	115,419	
Music and Memory	50	
Rosen Fund Snr SVCS	2,597	
Paycheck Protection Program	564,265	
Cares Act Program	65,927	
Project Hope Program	140,204	
	<u>\$ 1,422,956</u>	<u>\$ 520,124</u>

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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,	
	2021	2020
Local Library Services Aid	\$ 256,065	\$ 275,324
Westchester Community College		327
Grants in Aid	<u>365,000</u>	
	<u>\$ 621,065</u>	<u>\$ 275,651</u>

17. Significant source of support

During the years ended December 31, 2021 and 2020, the Organization received approximately 34% and 38%, respectively, of its total support and revenues from grants from the State of New York and approximately 14% and 16%, respectively, from Westchester County grants.

18. Subsequent events

Subsequent events have been evaluated through April 4, 2022, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.