



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

YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Dayman Abrams Music, LLC

Saddle Brook, New Jersey

May 5, 2023

WESTCHESTER LIBRARY SYSTEM

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2022</u>	<u>2021</u>
Cash	\$ 3,973,017	\$ 4,394,949
Investments	1,051,364	1,037,903
Grants receivable	333,377	292,070
Accounts and other receivables	126,397	206,860
Prepaid expenses	723,226	431,569
Computer inventory	44,346	91,887
Property and equipment, net	572,228	329,803
Operating lease right-of-use assets, net	1,155,488	
Intangible assets, net		<u>2,000</u>
Total assets	<u>\$ 7,979,443</u>	<u>\$ 6,787,041</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 699,491	\$ 841,006
Deferred revenue	6,686	7,200
Operating lease obligations	1,372,554	
Deferred rent		245,925
Post-retirement benefit obligation	<u>3,856,991</u>	<u>4,892,551</u>
Total liabilities	<u>5,935,722</u>	<u>5,986,682</u>
Net assets:		
Without donor restrictions	1,620,493	485,984
With donor restrictions	<u>423,228</u>	<u>314,375</u>
Total net assets	<u>2,043,721</u>	<u>800,359</u>
Total liabilities and net assets	<u>\$ 7,979,443</u>	<u>\$ 6,787,041</u>

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2022			Year ended December 31, 2021		
	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	\$ 2,323,299	\$ 375,554	\$ 2,698,853	\$ 2,134,137	\$ 438,243	\$ 2,572,380
Government grants		199,250	199,250		770,396	770,396
County grants	1,218,696		1,218,696	1,068,114		1,068,114
Total governmental support	3,541,995	574,804	4,116,799	3,202,251	1,208,639	4,410,890
Private support:						
Contributions of cash and other financial assets	1,113	335,044	336,157	770	264,677	265,447
Total governmental and private support	3,543,108	909,848	4,452,956	3,203,021	1,473,316	4,676,337
Revenues:						
Member technology fees	2,776,740		2,776,740	2,820,801		2,820,801
Interest income	15,903		15,903	2,069		2,069
Investment income	4,804		4,804	421		421
Other revenue	26,831		26,831	8,930		8,930
Total revenues	2,824,278		2,824,278	2,832,221		2,832,221
Net assets released from restrictions	800,995	(800,995)		1,422,956	(1,422,956)	
Total operating support and revenues	7,168,381	108,853	7,277,234	7,458,198	50,360	7,508,558
Operating expenses:						
Program services:						
Technology	2,629,876		2,629,876	2,389,912		2,389,912
Public service	3,149,857		3,149,857	2,888,285		2,888,285
Total program services	5,779,733		5,779,733	5,278,197		5,278,197
Supporting services:						
Management and general	1,379,446		1,379,446	1,510,983		1,510,983
Fundraising	108,164		108,164	154,739		154,739
Total supporting services	1,487,610		1,487,610	1,665,722		1,665,722
Total expenses	7,267,343		7,267,343	6,943,919		6,943,919
Change in net assets from operations	(98,962)	108,853	9,891	514,279	50,360	564,639
Nonoperating activities:						
Investment return - realized and unrealized gains (losses)	8,658		8,658	(173)		(173)
Gain on disposal of property and equipment	13,000		13,000			
Post-retirement benefit obligation other than periodic costs	1,211,813		1,211,813	266,098		266,098
Total nonoperating activities	1,233,471		1,233,471	265,925		265,925
Change in net assets	1,134,509	108,853	1,243,362	780,204	50,360	830,564
Net assets, beginning of year	485,984	314,375	800,359	(294,220)	264,015	(30,205)
Net assets, end of year	\$ 1,620,493	\$ 423,228	\$ 2,043,721	\$ 485,984	\$ 314,375	\$ 800,359

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

WESTCHESTER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,243,362	\$ 830,564
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	172,410	204,367
Amortization of intangible asset	2,000	2,000
Amortization of operating leases right-of-use assets	220,174	
Pension and post-retirement benefit obligations other than net periodic pension costs	(1,211,813)	(266,098)
Deferred rent	(245,925)	(21,740)
Unrealized (gain) loss on investments	(8,658)	173
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(41,307)	333,008
Accounts and other receivables	80,463	99,923
Prepaid expenses	(291,657)	64,116
Computer inventory	47,541	162,336
Increase (decrease) in:		
Accounts payable and accrued expenses	(141,515)	17,139
Deferred revenue	(514)	(3,056)
Operating lease liability obligations	(3,108)	
Post-retirement benefits payable	176,253	120,584
Refundable advance - Paycheck Protection Program		(564,265)
Net cash provided (used) by operating activities	(2,294)	979,051
Cash flows from investing activities:		
Purchase of investments	(4,803)	(422)
Purchases of property and equipment	(414,835)	(79,707)
Net cash used in investing activities	(419,638)	(80,129)
Net increase (decrease) in cash	(421,932)	898,922
Cash, beginning of year	4,394,949	3,496,027
Cash, end of year	\$ 3,973,017	\$ 4,394,949

Supplemental Disclosure of Non-Cash Operating Activities

Right-of-use asset acquired from incurring lease obligation	\$ 1,375,662	\$
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The accompanying notes are an integral part of these financial statements.

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2022 and 2021

	Program services				
	Technology		Public service		Total
	2022	2021	2022	2021	
Salaries	\$ 834,640	\$ 754,257	\$ 1,060,253	\$ 919,232	\$ 1,894,893
Fringe benefits	312,732	292,960	317,454	183,062	630,186
					\$ 1,673,489
					476,022
Total salaries and related expenses	1,147,372	1,047,217	1,377,707	1,102,294	2,525,079
					2,149,511
Periodicals			549,407	499,845	549,407
Delivery service			484,359	423,702	484,359
Hardware and software maintenance			5,517	5,508	453,732
Contractual services	448,215	385,654	164,592	112,836	417,379
Rent and utilities	252,787	161,191	124,823	131,367	258,638
Telephone and internet	133,815	138,949	22,044	42,605	305,162
Database	283,118	203,738	202,658	302,088	202,658
Equipment	160,277	230,198	12,670	140,511	172,947
Printing and postage	197	132	100,638	56,525	100,835
Professional development	580	437	46,517	19,250	47,097
Professional fees	10,442	14,116	2,995	2,721	13,437
Travel	10,415	336	8,158	519	18,573
Books, film, etc.			31,075	28,871	31,075
Insurance	13,252	10,520		2,724	13,252
Supplies	5,024	3,613	10,584	11,038	15,608
Memberships	333		5,886	3,693	6,219
Miscellaneous	4,859	2,490	227	2,188	5,086
Depreciation	157,190	188,921			157,190
Intangible asset amortization	2,000	2,000			2,000
Total operating expenses	\$ 2,629,876	\$ 2,389,912	\$ 3,149,857	\$ 2,888,285	\$ 5,779,733
					\$ 5,278,197

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

WESTCHESTER LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

	Management and general		Supporting services		Total		Total program and supporting services	
	2022	2021	2022	2021	2022	2021	2022	2021
Salaries	\$ 432,523	\$ 573,012	\$ 68,180	\$ 101,212	\$ 500,703	\$ 674,224	\$ 2,395,596	\$ 2,347,713
Fringe benefits	674,066	748,270	24,208	38,467	698,274	786,737	1,328,460	1,262,759
Total salaries and related expenses	1,106,589	1,321,282	92,388	139,679	1,198,977	1,460,961	3,724,056	3,610,472
Periodicals	615	286			615	286	550,022	500,131
Delivery service							484,359	423,702
Hardware and software maintenance	20,067	14,219	649	828	20,716	15,047	474,448	406,209
Contractual services	39,900	21,655			39,900	21,655	457,279	295,682
Rent and utilities	85,604	48,652	12,727	13,306	98,331	61,958	356,969	332,274
Telephone and internet	1,955				1,955		307,117	246,343
Database							202,658	302,488
Equipment	18,051	15,997			18,051	15,997	190,998	386,706
Printing and postage	1,755	12,102	637	96	2,392	12,198	103,227	68,855
Professional development	3,809	1,894		665	3,809	2,559	50,906	22,246
Professional fees	31,566	26,402			31,566	26,402	45,003	43,239
Travel	17,637	1,198	1,173		18,810	1,198	37,383	2,053
Books, film, etc.							31,075	28,871
Insurance	16,064	12,414			16,064	12,414	29,316	25,658
Supplies	5,688	5,533	85		5,773	5,533	21,381	20,184
Memberships	13,022	11,976	505	165	13,527	12,141	19,746	15,834
Miscellaneous	1,904	1,927			1,904	1,927	6,990	6,605
Depreciation	15,220	15,446			15,220	15,446	172,410	204,367
Intangible asset amortization							2,000	2,000
Total operating expenses	\$ 1,379,446	\$ 1,510,983	\$ 108,164	\$ 154,739	\$ 1,487,610	\$ 1,665,722	\$ 7,267,343	\$ 6,943,919

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

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, coordinates outreach to the underserved population, 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, whereby 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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021

2. Summary of significant accounting policies (continued)

Recently adopted accounting standards - Leases

In 2022, The Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$1,375,662 and lease liabilities totaling \$1,375,662 in its balance sheet as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2021.

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less) and leases below the ROU assets capitalization policy of \$50,000. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue and revenue recognition

The Organization recognizes contributions when cash, securities or other financial 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.

A portion of the Organization's revenue is derived from one federal grant, which is conditioned upon certain performance requirements and/or the incurrence of qualifying expenses. Amounts received are recognized as revenue when the Organization receives the funds.

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.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

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

Income taxes

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

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

3. Risks and uncertainties

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

The Organization has reviewed its operations in light of the COVID-19 Pandemic. Based on that review, it does not anticipate that the COVID-19 Pandemic will have a material impact on its 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.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

4. Availability and liquidity

The following represents the Organization's financial assets at December 31, 2022:

Financial assets at year end

Cash	\$ 3,973,017
Investments	1,051,364
Grants receivable	333,377
Accounts and other receivables	<u>126,397</u>
Total financial assets	<u>5,484,155</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	423,228
Less net assets with purpose restrictions to be met in less than a year	<u>(314,250)</u>
	<u>108,978</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,375,177</u></u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,800,000). 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).

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

5. Investments

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

	2022		2021	
	Cost	Fair value	Cost	Fair value
Cash equivalents	\$ 602	\$ 602	\$ 118	\$ 118
United States Treasuries	1,042,135	1,050,762	1,037,815	1,037,785
	<u>\$ 1,042,737</u>	<u>\$ 1,051,364</u>	<u>\$ 1,037,933</u>	<u>\$ 1,037,903</u>

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

	2022	2021
Dividends and interest	\$ 4,804	\$ 421
Realized and unrealized gain (loss)	8,658	(173)
	<u>\$ 13,462</u>	<u>\$ 248</u>

6. Fair value measurement

The classification of the Organization's investment securities at fair value is as follows at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash	\$ 602	\$	\$	\$ 602
United States Treasury bills	1,050,762			1,050,762
	<u>\$ 1,051,364</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,051,364</u>

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
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7. Property and equipment

Property and equipment consist of the following:

	December 31,	
	2022	2021
Furniture and equipment	\$ 1,541,235	\$ 1,772,093
Leasehold improvements	108,437	108,437
Automobile	36,751	
Software - online catalog	121,337	121,337
	1,807,760	2,001,867
Less accumulated depreciation	1,235,532	1,672,064
	<u>\$ 572,228</u>	<u>\$ 329,803</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$172,410 and \$204,368, respectively. During the year ended December 31, 2022, the Organization wrote off \$608,943 of fully depreciated assets that were no longer in service.

8. Intangible assets

Intangible assets consist of the following:

	December 31,	
	2022	2021
Mobile library application	\$ 10,000	\$ 10,000
Less accumulated amortization	10,000	8,000
	<u>\$ -</u>	<u>\$ 2,000</u>

Amortization expense for the years ended December 31, 2022 and 2021 was \$2,000 for both years.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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. Up to December 31, 2021, the Organization recorded 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 balance sheet. As of December 31, 2021, deferred rent amounted to \$245,925. Effective January 1, 2022, the Organization adopted ASU No. 2016-02 and has recorded this lease in accordance with that guidance (see Note 12).

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"), provided 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 loan and related interest were fully forgiven in December 2021.

The Organization has determined the PPP to be a government grant, and, as such, has recorded the proceeds of the loan as government grant income as of May 2021, when the conditions were met and the loan was fully forgiven by the Small Business Administration.

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 4.96% and 2.67% for the years ended December 31, 2022 and 2021, respectively.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

11. Post-retirement benefit obligation (continued)

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

	December 31,	
	2022	2021
Changes in accumulated post-retirement benefit obligation:		
Accumulated post-retirement benefit obligation at January 1	\$ 4,892,551	\$ 5,038,065
Service cost	100,177	114,406
Interest cost	135,068	115,327
Plan participant contributions	50,861	6,979
Actuarial gain	(1,085,659)	(132,040)
Benefits paid	(236,007)	(250,186)
Accumulated post-retirement benefit obligation, December 31	<u>\$ 3,856,991</u>	<u>\$ 4,892,551</u>
Change in plan assets:		
Fair value of plan assets, January 1		
Employer contributions	\$ 111,453	\$ 222,349
Employee contributions	50,861	6,979
Medicare Part B reimbursement paid to retirees	73,692	20,858
Benefits paid	(236,006)	(250,186)
Fair value of plan assets, December 31	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Unfunded benefit obligation	<u>\$ 3,856,991</u>	<u>\$ 4,892,551</u>
	December 31,	
	2022	2021
Components of net periodic benefit cost:		
Service cost	\$ 100,177	\$ 114,406
Interest cost	135,067	115,327
Amortization of actuarial loss	126,214	134,058
	<u>\$ 361,458</u>	<u>\$ 363,791</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

11. Post-retirement benefit obligation (continued)

The following are the actuarial assumptions and effects:

	December 31,	
	2022	2021
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	2026 / 2009	2025 / 2009
Discount rate used to value end of year accumulated post-retirement benefit obligations	4.96%	2.67%
Discount rate used to value end of year net periodic post-retirement benefit costs	2.67%	2.28%
Effect of a 1% increase in healthcare cost trend rate on:		
a. Interest cost plus service cost	\$ 37,367	\$ 54,501
b. Accumulated post-retirement benefits	259,363	395,722
Effect of a 1% decrease in health:		
a. Interest cost plus service cost	\$ (26,601)	\$ (25,773)
b. Accumulated post-retirements benefits	(206,890)	(303,956)

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

Year ending December 31:	
2023	\$ 246,886
2024	251,331
2025	249,516
2026	258,609
2027	262,042
2028 - 2032	1,252,459

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

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12. Commitments and contingencies

Operating leases

The Organization operating leases consist primarily of real estate leases for the use of its office facilities. The Organization evaluated current contracts to determine which contracts met the criteria of a lease. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms, including renewal periods that are considered reasonably certain.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 1,155,488</u>
Operating lease liabilities	<u>\$ 1,372,554</u>

The components of operating lease expenses that are included in the statement of activities for the year ended December 31, 2022 are as follows:

Operating lease cost	<u>\$ 290,405</u>
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The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	<u>\$ 319,263</u>
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The weighted-average lease term and discount rate applied to calculate lease liabilities as of December 31, 2022 are as follows:

Weighted average remaining lease term	54 months
Weighted average discount rate	4.75%

There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

The maturities of operating lease payments for the years ending December 31 are as follows:

2023	\$ 326,382
2024	333,500
2025	340,619
2026	347,737
2027	<u>175,648</u>
Total lease payments	1,523,886
Less present value discount	<u>(151,332)</u>
Total lease obligations	<u>\$ 1,372,554</u>

WESTCHESTER LIBRARY SYSTEM
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December 31, 2022 and 2021

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 periods prior to the cost being incurred are deferred until future periods.

14. Letter of credit and line of credit

During the years ended December 31, 2022 and 2021, the Organization had an Irrevocable Stand-by Letter of Credit with a financing institution in the amount of \$5,000,000. The Irrevocable Stand-by Letter of Credit expires on June 30, 2023, 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, 2022 and 2021.

The Organization has a \$500,000 revolving Line of Credit agreement with a financing institution which is due on demand. The interest rate on the line is 4.75%. There were no borrowings during the years and no amounts were outstanding at both December 31, 2022 and 2021.

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

15. Net assets

Net assets were as follows for the years ended December 31, 2022 and 2021:

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$1,620,493	\$	\$1,620,493	\$ 485,984	\$	\$ 485,984
Specific purpose:						
Gates Staying Connected Training Program					5,094	5,094
Bruni Verges Memorial Fund		23	23		23	23
People and Stories		2,096	2,096		2,096	2,096
MiniGrants		2,358	2,358		7,358	7,358
TASC Connect		3,113	3,113		3,113	3,113
Reconnect with Tech		177,107	177,107			
Early Literacy		7,360	7,360		8,979	8,979
Library and Training		136,182	136,182		62,856	62,856
Spanish Adult Literacy		16,784	16,784		23,539	23,539
Xprize					4,085	4,085
Digital Resources		11,078	11,078		19,584	19,584
Music and Memory		1,450	1,450		1,450	1,450
Outreach and Career		7,619	7,619		26,680	26,680
Digital Equity - Local		8,911	8,911		9,099	9,099
Digital Equity - WCF					43,081	43,081
Vision Labs					5,498	5,498
Rosen Fund for Snr Svcs		30	30		788	788
HSE Connect		5,000	5,000			
Coned - Stem		1,895	1,895		15,000	15,000
NYS Gia - Database		16,968	16,968		50,000	50,000
NYS Gia - Spanish Adult Literacy		17,802	17,802		25,000	25,000
Learning Ambassador					100	100
Career Service		5,000	5,000			
101 Answers		1,500	1,500			
Hope for Youth		952	952		952	952
Total net assets	<u>\$1,620,493</u>	<u>\$ 423,228</u>	<u>\$2,043,721</u>	<u>\$ 485,984</u>	<u>\$ 314,375</u>	<u>\$ 800,359</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

15. Net assets (continued)

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

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Broadband Technology Opportunities Program	\$ 19,110	\$ 17,245
LIU Certificate	39,300	16,850
Learning Ambassadors	1,450	3,120
MiniGrants	5,000	4,223
Marketing and Professional Development		15,174
ARPA Digital inclusion	199,250	
Xprize	4,085	2,490
Bruni		950
Early Literacy	1,619	616
Vision Labs	5,498	8,738
Outreach and Career	32,810	6,492
Library and Training	302,229	383,951
Hope for Youth		4,049
Digital Recourses	8,506	5,416
Spanish Adult Literacy	6,755	18,461
Digital Equity - Local	222	46,719
Digital Equity - WCF	43,081	115,419
Music and Memory		50
Rosen Fund Snr Svcs	758	2,597
Paycheck Protection Program		564,265
Cares Act Program		65,927
Project Hope Program		140,204
Reconnect with Tech	72,893	
NYS Gia - Spanish Adult Literacy	7,198	
NYS Gia - Databases	33,032	
Coned - Stem	13,105	
Gates Staying Connected Training Program	5,094	
	<u>\$ 800,995</u>	<u>\$ 1,422,956</u>

WESTCHESTER LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
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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,	
	2022	2021
Local Library Services Aid	\$ 277,408	\$ 256,065
Grants in Aid	157,084	365,000
	<u>\$ 434,492</u>	<u>\$ 621,065</u>

17. Significant source of support

During the years ended December 31, 2022 and 2021, the Organization received approximately 37% and 34%, respectively, of its total support and revenues from grants from the State of New York and approximately 17% and 14%, respectively, from Westchester County grants.

18. Subsequent events

Subsequent events have been evaluated through May 5, 2023, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.