



FINANCIAL STATEMENTS

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JUNE 30, 2020 AND 2019

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Independent Auditor's Report

October 15, 2020

To the Finance Committee of the Board of Trustees of
Central New York Library Resources Council

Report on the Financial Statements

We have audited the accompanying financial statements of Central New York Library Resources Council, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 audit 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 Central New York Library Resources Council as of June 30, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on June 30, 2020, the Council adopted new accounting guidance ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and applied the provisions retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Dannible + McKee, LLP

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>	
<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (Note 1)	\$ 1,358,371	\$ 1,252,486
Restricted cash (Note 1)	65,041	56,706
Accounts receivable (Note 1)	1,142	5,589
Prepaid expenses	1,033	811
Furniture and equipment, net (Notes 1 and 2)	<u>11,444</u>	<u>16,516</u>
Total assets	<u>\$ 1,437,031</u>	<u>\$ 1,332,108</u>
 <u>Liabilities and Net Assets</u> 		
Accounts payable	\$ 3,085	\$ 2,140
Accrued expenses and other liabilities	37,691	46,455
New York Heritage Fund payable (Note 1)	65,041	56,706
Deferred revenue (Note 1)	<u>26,557</u>	<u>1,378</u>
Total liabilities	<u>132,374</u>	<u>106,679</u>
Net assets without donor restrictions (Note 1)	1,203,410	1,127,287
Net assets with donor restrictions (Note 1)	<u>101,247</u>	<u>98,142</u>
Total net assets	<u>1,304,657</u>	<u>1,225,429</u>
Total liabilities and net assets	<u>\$ 1,437,031</u>	<u>\$ 1,332,108</u>

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support and revenue:						
State aid	\$ 380,349	\$ -	\$ 380,349	\$ 380,158	\$ -	\$ 380,158
Government grants	56,275	298,333	354,608	6,098	298,349	304,447
Special purpose funds	-	-	-	742	-	742
Marketed services	18,900	-	18,900	21,352	-	21,352
Memberships	20,875	-	20,875	18,863	-	18,863
Service income	890	-	890	4,257	-	4,257
Workshop registrations	20	-	20	59	-	59
Other income	4,496	-	4,496	-	-	-
Interest	1,046	-	1,046	1,104	-	1,104
Total support and revenue	482,851	298,333	781,184	432,633	298,349	730,982
Net assets released from restrictions:						
Satisfaction of donor restriction	295,228	(295,228)	-	261,208	(261,208)	-
Expenses:-						
Program services	529,280	-	529,280	499,687	-	499,687
Support services:						
Management and general	88,773	-	88,773	92,840	-	92,840
Membership	83,903	-	83,903	76,586	-	76,586
Total expenses	701,956	-	701,956	669,113	-	669,113
Change in net assets	76,123	3,105	79,228	24,728	37,141	61,869
Net assets, beginning of year, as restated (Note 1)	1,127,287	98,142	1,225,429	1,102,559	61,001	1,163,560
Net assets, end of year	\$ 1,203,410	\$ 101,247	\$ 1,304,657	\$ 1,127,287	\$ 98,142	\$ 1,225,429

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30,

	2020				2019			
	Support Services				Support Services			
	Program services	Management and general	Membership	Total	Program services	Management and general	Membership	Total
Expenses:								
Salaries	\$ 232,995	\$ 34,899	\$ 48,475	\$ 316,369	\$ 236,609	\$ 29,904	\$ 44,000	\$ 310,513
Electronic resources	122,787	-	-	122,787	101,963	-	-	101,963
Payroll taxes and benefits	55,581	13,864	19,747	89,192	65,206	23,934	16,557	105,697
Rent	24,700	9,500	3,800	38,000	24,700	9,500	3,800	38,000
Professional fees	41,323	19,801	-	61,124	16,868	18,922	216	36,006
Travel	11,419	1,000	3,394	15,813	11,761	1,344	4,493	17,598
Telecommunications	3,406	1,703	568	5,677	3,546	1,354	462	5,362
Subscriptions and dues	10,337	503	168	11,008	13,572	444	148	14,164
Outreach	3,594	1,962	6,809	12,365	2,580	650	5,599	8,829
Equipment	2,649	-	-	2,649	1,223	252	-	1,475
Continuing education	4,927	-	-	4,927	5,188	-	-	5,188
Delivery services	3,231	-	-	3,231	4,814	-	-	4,814
Office expense	5,885	436	497	6,818	6,554	534	775	7,863
Insurance	-	3,089	-	3,089	-	3,871	-	3,871
Training	907	380	-	1,287	200	355	-	555
Rentals and maintenance	914	548	366	1,828	1,190	774	476	2,440
Depreciation	4,565	507	-	5,072	3,668	407	-	4,075
Postage	60	60	79	199	45	45	60	150
Miscellaneous	-	521	-	521	-	550	-	550
Total expenses	\$ 529,280	\$ 88,773	\$ 83,903	\$ 701,956	\$ 499,687	\$ 92,840	\$ 76,586	\$ 669,113

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Cash flows from operating activities:		
Cash received from grants and members	\$ 810,810	\$ 747,100
Cash paid to suppliers and employees	<u>(696,590)</u>	<u>(667,924)</u>
Net cash provided by operating activities	<u>114,220</u>	<u>79,176</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>-</u>	<u>(14,501)</u>
Net cash used for investing activities	<u>-</u>	<u>(14,501)</u>
Net increase in cash and cash equivalents	114,220	64,675
Cash and cash equivalents, beginning of year (Note 1)	<u>1,309,192</u>	<u>1,244,517</u>
Cash and cash equivalents, end of year (Note 1)	<u>\$ 1,423,412</u>	<u>\$ 1,309,192</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash received during the year for interest	<u>\$ 1,046</u>	<u>\$ 1,104</u>

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

Nature of activities - Central New York Library Resources Council (the “Council”) is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Council is an educational organization chartered by the University of the State of New York Education Department. The purpose of the Council is to develop and enhance reference and research resources and services, and promote interlibrary cooperation, communication and transportation of materials within the region of the Council. The Council also aims to achieve collaboration with institutions and organizations both within and outside of the immediate geographic area.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Basis of presentation - The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) authoritative guidance on financial statements of not-for-profit organizations. Under this guidance, the Council is required to report information regarding its assets, liabilities, revenues and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

New accounting pronouncements and prior period restatement - The FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU requires entities to present the changes in total cash, cash equivalents and restricted cash in the statement of cash flows and reconcile those amounts to the statement of financial position. The Council adopted ASU 2016-18 on June 30, 2020, and applied the provisions retrospectively to all periods presented in the financial statements. For the fiscal years ended June 30, 2020 and 2019, the Council added \$65,041 and \$56,706, respectively, to cash and cash equivalents presented in the accompanying statements of cash flows. See reconciliation below. The adoption of ASU 2016-18 had no impact on changes in net assets or total net assets.

The FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard’s purpose is to clarify accounting for and eliminate diversity in practice among not-for-profits and other organizations that make or receive contributions of cash or other assets. This ASU clarifies when transactions are contributions or exchange transactions. ASU 2018-08 is effective for years beginning after December 15, 2018. The Council adopted the ASU for the fiscal year ended June 30, 2020, and applied the provisions retrospectively to all periods presented in the financial statements. The Council determined, because of the clarified guidance, that certain grants should be recognized as restricted revenue upon receipt rather than deferred revenue. These particular grants do not contain barriers and a right of return of the funds, thus they should not be treated as conditional grants. As a result, the following amounts were restated for the fiscal year ended June 30, 2019, in the accompanying financial statements: beginning net assets with donor restrictions increased by \$61,001, change in net assets with donor restrictions increased by \$37,141, deferred revenue decreased by \$98,142 and ending net assets with donor restrictions increased by \$98,142.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU is effective for years beginning after December 15, 2018. The Council adopted this ASU in the current year as management believes the standard improves the usefulness and understandability of the Council’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Council recognizes fees from program services or subscription revenue, and therefore no changes to the previously issued audited financial statements are required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update was effective January 1, 2018, and addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Council has adjusted the presentation of these statements accordingly.

Net assets without donor restrictions - Net assets without donor restrictions are not subject to donor-imposed restrictions. These amounts are available for the support of operations.

Net assets with donor restrictions - Net assets with donor restrictions consist of the net assets of the Council whose use by the Council is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Council pursuant to those stipulations. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions consisted of the following:

	June 30,	
	2020	2019
Restricted for medical information services program	\$ 21,785	\$ 24,893
Restricted for NYS hospital library services program	7,622	22,842
Restricted for regional bibliographic databases resource sharing program	71,840	50,407
	<u>\$ 101,247</u>	<u>\$ 98,142</u>

Revenue recognition - Revenue from conditional grant awards is recognized as qualifying expenses are incurred. Amounts received prior to incurring qualifying expenses are reported as deferred revenue in the statements of financial position. Revenue from unconditional grant awards is recognized as revenue in the year of award. Revenue from state aid, which provides subsidy for the operations of the Council, is recognized in the year of award. Contributions are recognized as revenue in the year an unconditional promise to give is received and are recorded at fair value. 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. Support that is restricted by the donor is reported as an increase in revenue with donor restrictions. Membership in the Council requires payment of annual membership dues. Deferred revenue is recorded when membership dues are billed. Revenue is recognized monthly as earned. Workshop program revenue is recognized at the time of the program.

As of June 30, 2020, the Council had one conditional contribution. See further discussion under deferred revenue below.

Cash and cash equivalents - The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The reconciliation of cash and cash equivalents as reported on the statements of cashflows is comprised of the following:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 1,358,371	\$ 1,252,486
Restricted cash	65,041	56,706
Cash and cash equivalents per the statements of cash flows	<u>\$ 1,423,412</u>	<u>\$ 1,309,192</u>

Restricted cash - The Council is the acting custodian for the New York Heritage Fund (the “Fund”). Amounts held on behalf of the Fund are recorded as restricted cash with a corresponding payable. Amounts paid or received on behalf of the Fund are recorded against these accounts.

Accounts receivable - Accounts receivable consists of amounts due from members. No provision has been made for uncollectible accounts, as the Council considers all accounts to be collectible.

Furniture and equipment - Furniture and equipment are recorded at cost or, for donated assets, at the estimated fair market value at the date of acquisition. Depreciation for financial statement purposes is computed on the straight-line method over the assets’ estimated useful lives. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of furniture and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets.

Deferred revenue - Deferred revenue represents cash advances received on grants for which qualifying expenditures have not yet been incurred or annual membership dues received, but not yet earned.

During the year ended June 30, 2020, the Council received \$81,892 under the Payroll Protection Act. The Council has chosen the method of accounting under ASC 958-605 and is treating the funds as a conditional grant. The Council incurred qualifying costs of \$56,275 as of June 30, 2020, and therefore recognized corresponding grant revenue in this amount. The remaining \$25,617 is included in deferred revenue as a cash advance. The Council has not received formal forgiveness under the Payroll Protection Act as of October 15, 2020, however, management believes they have met all of the requirements to obtain the forgiveness.

Financial instruments and credit risks - The Council maintains cash balances at one financial institution. Cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) are subject to credit risk.

Income taxes - Pursuant to FASB guidance related to not-for-profit entities, the Council is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been determined not to be a private foundation under Section 509(a) of the IRC.

The Council has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Council will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Council is no longer subject to Federal or state examinations by tax authorities for the closed tax years before 2016.

Expense allocation - The costs of program and support services have been summarized on a functional basis in the statements of functional expenses. The costs are functionalized on a direct basis where possible. Indirect costs are allocated based on an estimate of the time spent by the Council's management and staff in each functional area.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events - Management has evaluated subsequent events through October 15, 2020, the date which the financial statements were available for issue.

Note 2 - Furniture and equipment and lease commitments

Furniture and equipment consisted of the following:

	June 30,	
	2020	2019
Computers and office equipment	\$ 35,129	\$ 35,129
Office furniture	9,896	9,896
	45,025	45,025
Less - Accumulated depreciation	33,581	28,509
	<u>\$ 11,444</u>	<u>\$ 16,516</u>

Depreciation expense of \$5,072 and \$4,075 for the fiscal years ended June 30, 2020 and 2019, respectively, has been included in expenses in the statements of activities.

The Council has a lease agreement to rent office space. Rent expense for the fiscal years ended June 30, 2020 and 2019, was approximately \$38,000 in both years.

The Council also leases office equipment under an operating lease. Lease expense for the fiscal years ended June 30, 2020 and 2019, was approximately \$2,500 and \$2,300 respectively.

Future minimum non-cancelable lease payments under these agreements are as follows:

2021	\$ 39,944
2022	33,611
2023	1,944
2024	<u>1,944</u>
	<u>\$ 77,443</u>

Note 3 - Employee benefit plan

The Council participates in the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), a 403(b) plan. Eligible employees contribute 3% and the Council contributes 9% of eligible employees' salaries. The annual contributions are immediately vested and applied to individual annuities issued to each participant by TIAA-CREF. Employee defined contribution pension plan expense was approximately \$27,000 in both fiscal 2020 and 2019.

Note 4 - CLRC consortial database fees

The Council acts as an agent for its members when it receives money from them, which is then used to pay database subscriptions for those members. Accordingly, the funds received and disbursed are excluded from the Council's revenue and expenses in the accompanying statements of activities.

Note 5 - Risks, uncertainties and concentration of risk

In March of 2020, local, U.S. and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. In addition, global markets have seen significant volatility. The pandemic was ongoing through the fiscal year and has continued subsequent to year-end. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them.

Financial awards from governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Council for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time. Economic conditions may affect the Council's ability to collect funds. The Council's funding is dependent on many factors, including state appropriations. Potential cuts to the Council's funding could be significant.

Accordingly, while management cannot quantify the financial and other impacts to the Council as of October 15, 2020, there is a reasonable possibility that the impact on the Council's financial position and results of future operations could be material.

Approximately 94% and 93% of the Council's revenue was derived from the State of New York and other governmental agencies in fiscal 2020 and 2019, respectively.

Note 6 - Availability and liquidity

The following represents the Council's financial assets as of:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,358,371	\$ 1,252,486
Accounts receivable	<u>1,142</u>	<u>5,589</u>
	1,359,513	1,258,075
Less: Amounts not available to be used for operations within one year	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,359,513</u>	<u>\$ 1,258,075</u>

The Council's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$350,000). The Council keeps most of their cash and cash equivalents in a money market account and transfer funds to the checking account as needed. Amounts included in net assets with donor restrictions is not deducted above as these funds are restricted for specific operating programs within the Council.