



FINANCIAL STATEMENTS

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JUNE 30, 2022 AND 2021

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Independent Auditor's Report

October 20, 2022

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central New York Library Resources Council as of June 30, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Central New York Library Resources Council 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 Central New York Library Resources Council's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 GAAS 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 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 GAAS, 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 Central New York Library Resources Council'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 Central New York Library Resources Council'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.

Dannible + McKee, LLP

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>	
<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents (Note 1)	\$ 681,844	\$ 1,347,206
Restricted cash (Note 1)	54,527	62,758
Grants receivable (Note 1)	64,706	-
Accounts receivable (Note 1)	9,685	-
Prepaid expenses	810	902
Beneficial interest in assets held by Community Foundation (Notes 1 and 4)	428,750	-
Furniture and equipment, net (Notes 1 and 2)	<u>5,484</u>	<u>8,752</u>
Total assets	<u>\$ 1,245,806</u>	<u>\$ 1,419,618</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ -	\$ 2,839
Accrued expenses and other liabilities	48,196	43,870
New York Heritage Fund payable (Note 1)	54,527	62,758
Deferred revenue (Note 1)	<u>939</u>	<u>939</u>
Total liabilities	<u>103,662</u>	<u>110,406</u>
Net assets without donor restrictions (Note 1)	1,130,978	1,215,136
Net assets with donor restrictions (Note 1)	<u>11,166</u>	<u>94,076</u>
Total net assets	<u>1,142,144</u>	<u>1,309,212</u>
Total liabilities and net assets	<u>\$ 1,245,806</u>	<u>\$ 1,419,618</u>

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
Support and revenue:						
State aid	\$ 370,494	\$ -	\$ 370,494	\$ 370,548	\$ -	\$ 370,548
Government grants	467,765	91,001	558,766	25,618	290,626	316,244
Marketed services	20,500	-	20,500	19,900	-	19,900
Memberships	21,460	-	21,460	20,950	-	20,950
Change in value of beneficial interest in assets held by Community Foundation	(71,250)	-	(71,250)	-	-	-
Distributions from beneficial interest in assets held by Community Foundation	9,600	-	9,600	-	-	-
Other income	6,190	-	6,190	78	-	78
Interest	206	-	206	274	-	274
Total support and revenue	824,965	91,001	915,966	437,368	290,626	727,994
Net assets released from restrictions:						
Satisfaction of donor restriction	173,911	(173,911)	-	297,797	(297,797)	-
Expenses:-						
Program services	916,026	-	916,026	556,433	-	556,433
Support services:						
Management and general	85,319	-	85,319	89,550	-	89,550
Membership	81,689	-	81,689	77,456	-	77,456
Total expenses	1,083,034	-	1,083,034	723,439	-	723,439
Change in net assets	(84,158)	(82,910)	(167,068)	11,726	(7,171)	4,555
Net assets, beginning of year	1,215,136	94,076	1,309,212	1,203,410	101,247	1,304,657
Net assets, end of year	\$ 1,130,978	\$ 11,166	\$ 1,142,144	\$ 1,215,136	\$ 94,076	\$ 1,309,212

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30,

	2022				2021			
	Support Services				Support Services			
	Program services	Management and general	Membership	Total	Program services	Management and general	Membership	Total
Expenses:								
Salaries	\$ 255,476	\$ 35,285	\$ 51,402	\$ 342,163	\$ 232,616	\$ 32,901	\$ 48,534	\$ 314,051
Electronic resources	112,914	-	-	112,914	103,585	-	-	103,585
Payroll taxes and benefits	65,845	20,355	20,092	106,292	56,089	20,522	21,013	97,624
Rent	24,700	9,500	3,800	38,000	24,700	9,500	3,800	38,000
Professional fees	30,000	12,613	-	42,613	40,500	17,815	-	58,315
Travel	3,167	370	1,317	4,854	1,377	167	571	2,115
Telecommunications	3,030	1,515	505	5,050	2,383	1,191	398	3,972
Subscriptions and dues	8,186	-	-	8,186	7,938	-	-	7,938
Outreach	381,877	6	3,498	385,381	59,055	600	2,300	61,955
Equipment	2,548	-	-	2,548	4,117	-	-	4,117
Continuing education	13,294	-	-	13,294	10,017	-	-	10,017
Delivery services	3,913	-	-	3,913	1,560	-	-	1,560
Office expense	5,363	845	496	6,704	5,390	633	369	6,392
Insurance	-	3,143	-	3,143	-	3,223	-	3,223
Training	400	97	-	497	579	500	-	1,079
Rentals and maintenance	996	597	398	1,991	996	597	398	1,991
Depreciation	4,182	464	-	4,646	4,426	492	-	4,918
Postage	135	135	181	451	55	55	73	183
Miscellaneous	-	394	-	394	1,050	1,354	-	2,404
Total expenses	\$ 916,026	\$ 85,319	\$ 81,689	\$ 1,083,034	\$ 556,433	\$ 89,550	\$ 77,456	\$ 723,439

See accompanying notes to financial statements.

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Cash flows from operating activities:		
Cash received from grants and members	\$ 912,825	\$ 703,518
Cash paid to suppliers and employees	<u>(1,085,040)</u>	<u>(714,740)</u>
Net cash used for operating activities	<u>(172,215)</u>	<u>(11,222)</u>
Cash flows from investing activities:		
Investment in beneficial interest in assets held by Community Foundation	(500,000)	-
Purchase of furniture and equipment	<u>(1,378)</u>	<u>(2,226)</u>
Net cash used for investing activities	<u>(501,378)</u>	<u>(2,226)</u>
Net decrease in cash and cash equivalents	(673,593)	(13,448)
Cash and cash equivalents, beginning of year (Note 1)	<u>1,409,964</u>	<u>1,423,412</u>
Cash and cash equivalents, end of year (Note 1)	<u>\$ 736,371</u>	<u>\$ 1,409,964</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash received during the year for interest	<u>\$ 206</u>	<u>\$ 274</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.

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:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Restricted for medical information services program	\$ 5,822	\$ 16,364
Restricted for NYS hospital library services program	5,344	-
Restricted for regional bibliographic databases resource sharing program	-	<u>77,712</u>
	<u>\$ 11,166</u>	<u>\$ 94,076</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, 2022, the Council had no conditional contributions. See further discussion under deferred revenue below. The Council was awarded cost-reimbursable grants of approximately \$112,000 that have not been recognized as of June 30, 2022, because qualifying expenses have not been incurred.

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 cash flows is comprised of the following:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 681,844	\$ 1,347,206
Restricted cash	54,527	62,758
Cash and cash equivalents per the statements of cash flows	<u>\$ 736,371</u>	<u>\$ 1,409,964</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.

Beneficial interest in assets held by Community Foundation - In September 2021, the Council established the CLRC Investment Fund (the “Fund”) with the Central New York Community Foundation (the “Foundation”) and named the Council as the beneficiary. Distributions shall be calculated and made available at least annually, or more frequently, as the parties may from time to time agree. Under the agreement, the Foundation is granted variance power, which allows it to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the Foundation for the Council’s benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. For the year ended June 30, 2022, distributions from the Fund totaled \$9,600, but were not

received as of year-end. As such, these distributions are included in accounts receivable as of June 30, 2022.

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 Program (PPP). The Council chose the method of accounting under ASC 958-605 and treated the funds as a conditional grant. The Council incurred qualifying costs of \$56,274 as of June 30, 2020, and therefore recognized corresponding grant revenue in this amount. The remaining \$25,618 was recognized as grant revenue during the year ended June 30, 2021. The Council received formal forgiveness under the PPP in January 2021. No grant funds were received under the PPP for the year ended June 30, 2022.

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 2018.

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 20, 2022, 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:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Computers and office equipment	\$ 27,397	\$ 26,019
Office furniture	<u>9,896</u>	<u>9,896</u>
	37,293	35,915
Less - Accumulated depreciation	<u>31,809</u>	<u>27,163</u>
	<u>\$ 5,484</u>	<u>\$ 8,752</u>

Depreciation expense of \$4,646 and \$4,918 for the fiscal years ended June 30, 2022 and 2021, respectively, has been included in expenses in the accompanying statements of activities.

The Council has a lease agreement to rent office space. Rent expense for the fiscal years ended June 30, 2022 and 2021, was \$38,000 in both years.

The Council also leases office equipment under an operating lease. Lease expense for the fiscal years ended June 30, 2022 and 2021, was approximately \$2,000 in both years.

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

2023	\$ 33,611
2024	<u>1,782</u>
	<u>\$ 35,393</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 \$32,000 and \$26,000 for the fiscal years ended June 30, 2022 and 2021, respectively.

Note 4 - Fair value measurements and disclosures

The Council reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to assessments of the quality, risk, or liquidity profile of the asset.

The fair value of beneficial interest in assets held by others is based on the fair value of the trusts' investments as reported by the trustees of those funds. These are considered to be Level 3 measurements.

The following tables presents assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in:				
Assets held by others	<u>\$ 428,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,750</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the year ended June 30, 2022:

Balance, beginning of year	\$ -
Contributions	500,000
Investment return, net of distributions	(80,850)
Distributions	<u>9,600</u>
Balance, end of year	<u>\$ 428,750</u>

Note 5 - 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 6 - Risks, uncertainties and concentration of risk

Beginning in 2020 and continuing into 2022, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, Coronavirus Disease (COVID-19), by imposing mandatory quarantine for exposed and infected individuals and imposing limitations on travel and size and duration of group meetings among other restrictions. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The Council continues to closely monitor the impact of the COVID-19 pandemic on all aspects of operations. The ultimate impact of the COVID-19 pandemic on the Council’s operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of the Council’s control. The situation surrounding COVID-19 remains fluid, and if further disruptions do arise, they could materially and adversely impact the Council.

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 20, 2022, there is a reasonable possibility that the impact on the Council’s financial position and results of future operations could be material.

Approximately 95% and 94% of the Council’s revenue (excluding changes in and distributions from the beneficial interest in assets held by the Community Foundation) was derived from the State of New York and other governmental agencies in fiscal 2022 and 2021, respectively.

Note 7 - Availability and liquidity

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

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 681,844	\$ 1,347,206
Grants receivable	64,706	-
Accounts receivable	9,685	-
	<u>756,235</u>	<u>1,347,206</u>
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>\$ 756,235</u>	<u>\$ 1,347,206</u>

The Council's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$532,000). 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. As discussed in Note 1, the Council may request additional distributions from the beneficial interest in assets held by the Community Foundation if such a need arose.