CENTRAL NY LIBRARY RESOURCES COUNCIL

REPORT TO THE FINANCE COMMITTEE

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OCTOBER 2023

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October 16, 2023

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

We have completed our audit of the financial statements of Central New York Library Resources Council as of and for the year ended June 30, 2023. Based on the results of our audit, we have issued an unmodified opinion on the financial statements of Central New York Library Resources Council as of and for the year ended June 30, 2023.

This report summarizes certain required communications to the Finance Committee with emphasis on significant accounting and auditing matters and the quality of accounting principles used by management, as well as a discussion of the impact of adopting new accounting standards.

We look forward to reviewing this report with you and responding to any issues the Finance Committee wishes to discuss.

This report is intended solely for the information and use of the Finance Committee, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Dannible + McKee, LLP

CENTRAL NEW YORK LIBRARY RESOURCES COUNCIL

REQUIRED COMMUNICATIONS WITH THE FINANCE COMMITTEE

AUDITOR'S RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS:

- As communicated in our engagement letter dated June 23, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly (as prescribed by professional standards), in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

- Our responsibility is to plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

- An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Central New York Library Resources Council (the "Council") solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

- We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

- We are not aware of any documents containing or discussing financial statements or financial results.

PLANNED SCOPE AND TIMING OF THE AUDIT:

- We performed the audit according to the planned scope and timing previously communicated to you through our engagement letter and planning communication letter, both dated June 23, 2023.

- The scope of the audit is a matter of judgment considering such factors as the nature of the entity, the industry in which it operates and the relative size of the entity using a percentage of total revenue or total assets of the entity as a benchmark.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE:

- The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

- We have performed no non-audit, consulting or systems consulting services other than as agreed to in our engagement letter.

- We are not aware of any other areas or relationships that could affect independence.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES:

Significant Accounting Policies

- Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Council is included in Note 1 to the financial statements. Certain changes were made based upon adoption of new guidance. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- The following outlines the impact of recent accounting pronouncements:

  Changes to Accounting for Leases

  In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)" ("ASC 842"). ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and a lease liability on the statement of financial position for all leases with a maximum possible term greater than 12 months and requires the disclosure of key information about leasing arrangements. Leases are classified as finance or operating, with classification affecting the subsequent expense pattern and presentation of expense recognition in the statement of activities.

The Council was required to adopt ASC 842 on July 1, 2022 (the "transition date") under the alternative transition method permitted by FASB ASU 2018-11. This transition method allowed the Council to initially apply the requirements of ASC 842 at the beginning of the year of adoption, rather than at the beginning of the earliest period presented. The Council has elected the package of transition practical expedients as permitted in ASC 842. Accordingly, the Council accounted for existing operating leases as operating leases under the new guidance without reassessing (a) whether the contract contains a lease under ASC 842, (b) whether classification of the capital lease would be different in accordance with ASC 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Council recognized on the transition date (a) operating lease liabilities of $34,367, which represents the present value of the remaining lease payments of $35,393, discounted using the risk-free rate of 2.84%, and (b) operating lease ROU assets of $34,367.

Changes to Accounting for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958): "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." The objective of ASU 2020-07 is to increase transparency about gifts-in-kind, including how they are valued and utilized, through enhanced presentation and disclosure. Under ASU 2020-07, nonprofits are required to show in-kind revenues as a separate line item on the statement of activities, apart from contributions of cash and other financial assets, and requires nonprofit entities to disclose the total value recognized for each category of gifts-in-kind in the notes to the financial statements.

The Council was required to adopt ASU 2020-07 for the year ended June 30, 2023, on a retrospective basis. Based on the results of our audit, no material transactions occurred that would have been applicable under the standard. As such, no changes to the financial statements were necessary.

Significant Accounting Estimates

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

- The most sensitive accounting estimates affecting the financial statements are as follows:

  - Useful lives of furniture and equipment;
  - Allowance for bad debts;
  - Beneficial interest in assets held by Community Foundation;
  - Functional allocation percentages; and
  - Operating lease ROU assets and liabilities.

  During the conduct of our fieldwork, we determined the basis for, and reasonableness of, management's estimates.

Financial Statement Disclosures

- Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Council's financial statements relate to revenue recognition and expense allocation.

CORRECTED AND UNCORRECTED MISSTATEMENTS (ADJUSTMENTS):

- Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

- Management has corrected all material misstatements, either individually or in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of the audit procedures were corrected by management:

		Increase/ (Decrease) in change in net assets
Unadjusted change in net assets	$	31,264
To record change in beneficial interest in assets held by Community Foundation		34,126
To capitalize fixed assets		3,258
To remove payables related to future period		5,143
To record revenue and receivable on ARPA expenses not yet reimbursed		(14,706)
To true up accrued vacation expense		2,438
To true up depreciation expense		(3,969)
Adjusted change in net assets	$	57,554

- Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements are summarized as follows:

		Increase/ (Decrease) in change in net assets
To record accrued payroll expense	$	(3,437)
To record prepaid expense		14,352
	$	10,915

- We agree with management that these adjustments, individually and in the aggregate, are not material to the financial statements.

AUDITOR'S JUDGMENTS ABOUT THE QUALITY OF ACCOUNTING PRINCIPLES:

- Based on our fieldwork, the accounting principles selected and their utilization appear appropriate in the circumstances.

- Management is not overly influenced by earnings or financial position in selecting or utilizing accounting principles. They demonstrated a willingness and an understanding of the need for consistency and completeness of accounting principles and the related disclosures.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT:

- We obtained full cooperation of management and access to information required to complete the audit. We encountered no significant difficulties in performing and completing our audit.

DISAGREEMENTS WITH MANAGEMENT:

- For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We had no such disagreements with management during the course of our audit.

CONSULTATION WITH OTHER ACCOUNTANTS:

- In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. We are not aware of any consultations with other accountants related to the application of accounting principles that were applicable to years reported on by us.

MATTERS DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION:

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

ERRORS OR FRAUD:

- We noted no material errors or fraud during the audit.

INTERNAL CONTROL STRUCTURE:

- In planning and performing our audit of the financial statements of the Council, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing our auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control. Furthermore, our auditing procedures were not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NONCOMPLIANCE WITH LAWS AND REGULATIONS, ILLEGAL ACTS:

- We did not become aware of any significant noncompliance with laws or regulations, or illegal acts.

MANAGEMENT REPRESENTATIONS:

- We have requested certain representations from management that are included in the management representation letter dated October 16, 2023.

SUBSEQUENT EVENTS:

- Management has evaluated subsequent events through October 16, 2023, the date which the financial statements were available for issue.