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**MVLS/SALS JOINT AUTOMATION PROJECT
SCHENECTADY, NEW YORK**

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

MVLS/SALS JOINT AUTOMATION PROJECT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Joint Automation Council
MVLS/SALS Joint Automation Project
Schenectady, NY

We have reviewed the accompanying financial statements of MVLS/SALS Joint Automation Project (the Project), which comprise the statements of assets, liabilities and net assets-cash basis as of December 31, 2018 and 2017 and the related statements of support and revenue, expenses, and changes in net assets – cash basis and functional expenses – cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting.

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Joint Automation Council
MVLS/SALS Joint Automation Project

Basis of Accounting

We draw your attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

September xx, 2019
Albany, New York

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**MVLS/SALS JOINT AUTOMATION PROJECT
STATEMENTS OF ASSETS, LIABILITIES, AND
NET ASSETS - CASH BASIS
DECEMBER 31, 2018 AND 2017**

A S S E T S

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	<u>\$353,453</u>	<u>\$ 334,383</u>
TOTAL ASSETS	<u><u>\$353,453</u></u>	<u><u>\$ 334,383</u></u>

L I A B I L I T I E S A N D N E T A S S E T S

NET ASSETS		
Without Donor Restrictions	<u>\$353,453</u>	<u>\$ 334,383</u>
Total Net Assets	<u>353,453</u>	<u>334,383</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$353,453</u></u>	<u><u>\$ 334,383</u></u>

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**MVLS/SALS JOINT AUTOMATION PROJECT
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS - CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
UNRESTRICTED SUPPORT AND REVENUE:		
Member Library Fees	\$ 653,706	\$ 657,956
Member Library Purchase Reimbursements	166,546	281,685
State Automation	232,227	153,000
Cataloging Fees	37,282	39,339
Interest	<u>418</u>	<u>389</u>
 Total Unrestricted Support and Revenue	 <u>1,090,179</u>	 <u>1,132,369</u>
 EXPENSES		
Program Services	905,964	948,096
Management and General	<u>165,145</u>	<u>154,001</u>
 Total Expenses	 <u>1,071,109</u>	 <u>1,102,097</u>
 INCREASE IN NET ASSETS	 19,070	 30,272
 NET ASSETS - BEGINNING OF YEAR	 <u>334,383</u>	 <u>304,111</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 353,453</u></u>	 <u><u>\$ 334,383</u></u>

MVLS/SALS JOINT AUTOMATION PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES - CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	<u>Program Services</u>	<u>Management And General</u>	<u>2018 Totals</u>	<u>Program Services</u>	<u>Management And General</u>	<u>2017 Totals</u>
Salaries and Related Expenses	\$ 349,713	\$ 116,571	\$ 466,284	\$ 331,365	\$ 110,455	\$ 441,820
Member Library Purchases	195,611	-	195,611	199,510	-	199,510
Employee Benefits	123,208	41,069	164,277	111,513	37,171	148,684
Software and Software Maintenance	109,753	-	109,753	99,698	-	99,698
Telephone Circuits and Installations	64,107	-	64,107	65,693	-	65,693
Cataloging	19,282	-	19,282	18,639	-	18,639
Syndetics Content	11,553	-	11,553	11,217	-	11,217
Equipment Purchases	10,140	-	10,140	8,596	-	8,596
Utilities	6,629	2,210	8,839	5,975	1,992	7,967
Other Professional Fees	6,032	2,011	8,043	3,429	1,143	4,572
Travel	5,606	1,869	7,475	6,216	2,072	8,288
Insurance	1,884	628	2,512	1,916	639	2,555
Office and Library Supplies	1,212	403	1,615	516	172	688
Building Repairs and Maintenance	988	329	1,317	763	254	1,017
Membership Dues	165	55	220	310,000	103	413
Hardware Maintenance	81	-	81	10,898	-	10,898
Database Expense	-	-	-	51,142	-	51,142
Data Linking	-	-	-	20,700	-	20,700
Total Expenses	<u>\$ 905,964</u>	<u>\$ 165,145</u>	<u>\$ 1,071,109</u>	<u>\$ 948,096</u>	<u>\$ 154,001</u>	<u>\$ 1,102,097</u>

**MVLS/SALS JOINT AUTOMATION PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING AND REPORTING
POLICIES**

Organization

Background Information

The Joint Automation Project (the Project) was established in 1984. That agreement provided the basis of the creation of a joint automation system, governed by a Joint Automation Governance Board. On March 25, 2003, the Mohawk Valley Library System (MVLS) and the Southern Adirondack Library System (SALS) executed a new agreement replacing the 1984 document. The new agreement created a Joint Automation Council governing the Project. The purpose of the Project is to create an equal partnership in the operation of the Joint Automation Project; assure equity of access to all aspects of the computer project by members of both Systems, as well as equity of ownership and direction for the Project; and direct joint automation resources to project purposes. The main funding comes from fees charged to the library members of the MVLS and SALS.

Method Accounting and Presentation

The Project's policy is to prepare its financial statements on the cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Fixed assets, payroll taxes, and related liabilities are recognized as expenses when paid. This method of presentation is a comprehensive basis of accounting which is not in accordance with accounting principles generally accepted in the United States of America.

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, non-profit organizations are required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**MVLS/SALS JOINT AUTOMATION PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING AND REPORTING
POLICIES (Continued)**

Income Taxes

MVLS/SALS Joint Automation Project is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as part of the Mohawk Valley Library System's status.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Expenses that are allocated are allocated based on time and effort.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update 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 Project has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 – NET ASSETS

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	<u>\$353,383</u>	<u>\$334,383</u>
Total	<u>\$353,383</u>	<u>\$334,383</u>

**MVLS/SALS JOINT AUTOMATION PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018 and 2017:

Financial Assets at Year End:	<u>2018</u>	<u>2017</u>
Cash	<u>\$353,453</u>	<u>\$334,383</u>
Total Financial Assets	<u>353,453</u>	<u>334,383</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$353,453</u>	<u>\$334,383</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$268,000). As part of its liquidity plan, excess cash is invested in short-term investments including certificate of deposit account registry service (CDARS) accounts.

NOTE 4 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject MVLS/SALS Joint Automation Project to concentrations of credit risk consist principally of cash in financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation limits.

NOTE 5 – RELATED PARTY TRANSACTIONS

At December 31, 2018, the MVLS, SALS Joint Automation Project was involved in various transactions with Southern Adirondack Library System and Mohawk Valley Library System, which are related through a common sharing of office space, personnel, and various administrative costs. Transactions and balances with related parties at December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Funds Received From Related Party (MVLS) – Joint Automation Project	\$401,749	\$436,772
Funds Received From Related Party (SALS) – Joint Automation Project	\$680,929	\$686,993
Expenses Paid to Related Party (SALS) – Administrative Expenses	\$598,326	\$605,226
Expenses Paid to Related Party (MVLS) – Administrative Expenses	\$ -	\$ 906

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Events Occurring After Reporting Date

The Project has evaluated events and transactions that occurred between December 31, 2018 and **September xx, 2019**, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.