

# DRAFT

**MOHAWK VALLEY LIBRARY SYSTEM  
SCHENECTADY, NEW YORK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**MOHAWK VALLEY LIBRARY SYSTEM**

**TABLE OF CONTENTS**

**DECEMBER 31, 2018 AND 2017**

Independent Accountant's Review Report	Pages 1 - 2
Statements of Assets, Liabilities, and Net Assets – Cash Basis	Page 3
Statements of Support and Revenue, Expenses, and Changes in Net Assets – Cash Basis	Page 4
Statements of Functional Expenses – Cash Basis	Page 5
Notes to Financial Statements	Pages 6 – 9

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Mohawk Valley Library System

We have reviewed the accompanying financial statements of Mohawk Valley Library System (the System), (an educational corporation) 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 reviews, 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.

# DRAFT

Board of Directors  
Mohawk Valley Library System

***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

**MOHAWK VALLEY LIBRARY SYSTEM**  
**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>
<b>CURRENT ASSETS</b>		
Cash		
Unrestricted	\$ 843,420	\$ 860,623
Restricted	190,325	193,755
Total Current Assets	<u>1,033,745</u>	<u>1,054,378</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,033,745</u>	<u>\$ 1,054,378</u>

**LIABILITIES AND NET ASSETS**

<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board Designated	139,997	139,997
Undesignated	703,423	720,626
Total Without Donor Restrictions	<u>843,420</u>	<u>860,623</u>
With Donor Restrictions	190,325	193,755
Total Net Assets	<u>1,033,745</u>	<u>1,054,378</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,033,745</u>	<u>\$ 1,054,378</u>

**MOHAWK VALLEY LIBRARY SYSTEM**  
**STATEMENTS OF SUPPORT AND REVENUE, EXPENSES,**  
**AND CHANGES IN NET ASSETS - CASH BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>2018 Totals</u>	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>2017 Totals</u>
	<u>Unrestricted</u>	<u>Board Designated</u>			<u>Unrestricted</u>	<u>Board Designated</u>		
<b>SUPPORT AND REVENUE</b>								
Grants								
State Aid	\$ 1,159,422	\$ -	\$ 183,980	\$ 1,343,402	\$ 1,134,599	\$ -	\$ 182,519	\$ 1,317,118
Miscellaneous Grants	22,446	-	549	22,995	14,524	-	96	14,620
JA Reimbursements	279,866	-	-	279,866	339,293	-	-	339,293
Other Support	67,447	-	-	67,447	67,122	-	-	67,122
Interest	2,820	-	-	2,820	2,760	-	-	2,760
Library Reimbursements	5,748	-	367	6,115	7,972	-	491	8,463
Miscellaneous Income	215	-	-	215	311	-	-	311
Net Assets Released								
From Restrictions	188,326	-	(188,326)	-	171,127	(1,841)	(169,286)	-
Total Support and Revenue	<u>1,726,290</u>	<u>-</u>	<u>(3,430)</u>	<u>1,722,860</u>	<u>1,737,708</u>	<u>(1,841)</u>	<u>13,820</u>	<u>1,749,687</u>
<b>EXPENSES</b>								
Program Service	1,557,124	-	-	1,557,124	1,490,476	-	-	1,490,476
Management and General	<u>186,369</u>	<u>-</u>	<u>-</u>	<u>186,369</u>	<u>173,432</u>	<u>-</u>	<u>-</u>	<u>173,432</u>
Total Expenses	<u>1,743,493</u>	<u>-</u>	<u>-</u>	<u>1,743,493</u>	<u>1,663,908</u>	<u>-</u>	<u>-</u>	<u>1,663,908</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(17,203)	-	(3,430)	(20,633)	73,800	(1,841)	13,820	85,779
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>720,626</u>	<u>139,997</u>	<u>193,755</u>	<u>1,054,378</u>	<u>646,826</u>	<u>141,838</u>	<u>179,935</u>	<u>968,599</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 703,423</u>	<u>\$ 139,997</u>	<u>\$ 190,325</u>	<u>\$ 1,033,745</u>	<u>\$ 720,626</u>	<u>\$ 139,997</u>	<u>\$ 193,755</u>	<u>\$ 1,054,378</u>

**MOHAWK VALLEY LIBRARY SYSTEM**  
**STATEMENTS OF FUNCTIONAL EXPENSES - CASH BASIS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Program Services	Management And General	2018 Totals	Program Services	Management And General	2017 Totals
Other Contractual Costs	\$ 554,775	\$ -	\$ 554,775	\$ 550,149	\$ -	\$ 550,149
Salaries and Related Expenses	360,186	120,062	480,248	335,464	111,821	447,285
Cash Grants to Member Libraries	285,690	-	285,690	268,314	-	268,314
Employee Benefits	132,740	44,247	176,987	132,800	44,267	177,067
Library Materials	150,782	-	150,782	143,016	-	143,016
Other Professional Fees	20,261	6,754	27,015	16,737	5,579	22,316
Travel	8,927	2,976	11,903	3,811	1,270	5,081
Building Repairs and Maintenance	8,459	2,820	11,279	8,148	2,716	10,864
Insurance	6,223	2,074	8,297	5,795	1,932	7,727
Utilities	5,723	1,908	7,631	5,898	1,966	7,864
Library Reimbursements	6,771	-	6,771	8,702	-	8,702
Membership Dues	4,691	1,564	6,255	4,430	1,477	5,907
Office and Library Supplies	4,383	1,461	5,844	1,079	360	1,439
Repairs and Maintenance	3,034	1,011	4,045	2,604	868	3,472
Telephone	2,010	670	2,680	1,987	662	2,649
Equipment Purchases	1,416	472	1,888	1,095	365	1,460
Printing	598	199	797	-	-	-
Postage and Freight	413	138	551	425	142	567
Miscellaneous	42	13	55	22	7	29
Total Expenses	<u>\$ 1,557,124</u>	<u>\$ 186,369</u>	<u>\$ 1,743,493</u>	<u>\$ 1,490,476</u>	<u>\$ 173,432</u>	<u>\$ 1,663,908</u>

**MOHAWK VALLEY LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

DRAFT

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

**Organization**

The Mohawk Valley Library System (the System), formerly Mohawk Valley Library Association, was chartered by the Board of Regents of the State of New York on December 18, 1959. The Board of Trustees is responsible for the overall operations of the system. Funding for the Mohawk Valley Library System is provided through State aid and Federal grants through the Division of Library Development of the State Education Department. The System provides support services, materials, and grants to improve and enhance member library services.

**Method of Accounting and Presentation**

The System'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.

**Income Taxes**

Mohawk Valley Library System is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and comparable state laws and has been classified as an organization that is not a private foundation.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, 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 System 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 – AVAILABILITY AND LIQUIDITY**

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

Financial Assets at Year End:	2018	2017
Cash	\$1,033,745	\$1,054,378
Total Financial Assets	1,033,745	1,054,378
Less Net Assets with Purpose Restrictions to be Met in Less Than a Year:		
Donor Restricted	190,325	193,755
Board Restricted	139,997	139,997
	330,322	333,752
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$703,423	\$720,626

**MOHAWK VALLEY LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**DRAFT**

**NOTE 2 – AVAILABILITY AND LIQUIDITY (Continued)**

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$436,000). As part of its liquidity plan, excess cash is invested in short-term investments including certificate of deposit account registry service (CDARS) accounts.

**NOTE 3 – NET ASSETS**

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Specific Purpose		
New York State Aid – Member Library Support	\$189,409	\$193,115
Private Aid – Member Library Support	549	149
Local System Aid – Member Library Support	367	491
Total	<u>\$190,325</u>	<u>\$193,755</u>

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

	<b>2018</b>	<b>2017</b>
Undesignated	\$703,423	\$720,626
Board Designated:		
Vehicles, Equipment, Automation and Building	119,997	119,997
Unemployment Self-Insurance	20,000	20,000
Total	<u>\$843,420</u>	<u>\$860,623</u>

Net assets released from net assets with donor restrictions are as follows:

	<b>2018</b>	<b>2017</b>
New York State Aid – Member Library Support	\$187,686	\$167,874
Private Aid – Member Library Support	149	260
Local System Aid – Member Library Support	491	1,152
Total	<u>\$188,326</u>	<u>\$169,287</u>

**NOTE 4 – EMPLOYEE BENEFITS**

Eligible employees participate in the New York State Employees' Retirement System. The Retirement System provides various plans and options, some of which require employee contributions. The Retirement System calculates the cost of retirement benefits based on its fiscal year April 1 to March 31, and bills the Library System in February for the following year. Retirement expenditures during the year ended December 31, 2018 and 2017 totaled \$62,945 and \$57,569 respectively.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

All expenses and revenue claimed as allowable under grants and contracts are subject to government audit and only upon conclusion of such audit can the final amount of revenue and expenses be determined. Any adjustments made in connection with these government audits are recognized in the year they become known.

**MOHAWK VALLEY LIBRARY SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**DRAFT**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Events Occurring After Reporting Date**

The System 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.

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

At December 31, 2018, financial instruments that potentially subject Mohawk Valley Library System to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation limits. At December 31, 2018, the System's uninsured cash balances total \$898,709. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

At December 31, 2018 and 2017, the System was involved in various transactions with the Joint Automation Project, which is related through a common sharing of office space, personnel, and various administrative costs. Transactions and balances with the related party at December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
State Automation Aid	\$ 77,257	\$ 76,500
Funds Paid to Related Party for Goods and Services	<u>325,800</u>	<u>360,824</u>
<b>TOTAL EXPENSES PAID TO RELATED PARTY</b>	<u><b>\$403,057</b></u>	<u><b>\$437,324</b></u>

**NOTE 8 – INCOME TAXES**

The System files Form 990 Return of Organizations Exempt from Income Tax. The System has adopted the provisions of FASB ASC 740-10 and as a result has identified its exemption from income tax under Section 501(c)(3) as a tax position which falls within the scope of this FASB ASC section. The System does not believe this tax position will result in any change to its financial position. These returns are subject to examination by tax jurisdictions (generally for three years from the filing date), and as a result, returns for the years subsequent to the year ended December 31, 2015 remain subject to examination. No interest or penalties related to income taxes have been recognized in the Statement of Financial Position or Statement of Activities.