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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

MOHAWK VALLEY LIBRARY SYSTEM

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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, 2017 and 2016 and the related statements of support and revenue, expenses, and changes in net assets – 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.

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.

Supplementary Information

The supplementary information included in the Schedules I – Statements of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the information and, accordingly, do not express an opinion on such information.

(Date)
Albany, New York

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MOHAWK VALLEY LIBRARY SYSTEM
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash		
Unrestricted	\$ 860,623	\$ 788,664
Restricted	193,755	179,935
Total Current Assets	<u>1,054,378</u>	<u>968,599</u>
TOTAL ASSETS	<u>\$ 1,054,378</u>	<u>\$ 968,599</u>

LIABILITIES AND NET ASSETS

NET ASSETS		
Unrestricted:		
Board Designated	139,997	141,838
Undesignated	720,626	646,826
Total Unrestricted Net Assets	<u>860,623</u>	<u>788,664</u>
Temporarily Restricted	193,755	179,935
Total Net Assets	<u>1,054,378</u>	<u>968,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,054,378</u>	<u>\$ 968,599</u>

MOHAWK VALLEY LIBRARY SYSTEM
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS - CASH BASIS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016				
	Unrestricted	Board Designated	Temporarily Restricted	2017 Totals	Unrestricted	Board Designated	Temporarily Restricted	2016 Totals
SUPPORT AND REVENUE								
Grants								
State Aid	\$ 1,134,599	\$ -	\$ 182,519	\$1,317,118	\$ 1,191,318	\$ -	\$ 178,105	\$1,369,423
Miscellaneous Grants	14,524	-	96	14,620	10,637	-	173	10,810
JA Reimbursements	339,293	-	-	339,293	394,732	-	-	394,732
Other Support	67,122	-	-	67,122	64,846	-	-	64,846
Interest	2,760	-	-	2,760	3,151	-	-	3,151
Library Reimbursements	7,972	-	491	8,463	16,323	-	1,152	17,475
Miscellaneous Income	311	-	-	311	546	-	-	546
Net Assets Released								
From Restrictions	171,127	(1,841)	(169,286)	-	181,831	(9,445)	(172,386)	-
Total Support and Revenue	<u>1,737,708</u>	<u>(1,841)</u>	<u>13,820</u>	<u>1,749,687</u>	<u>1,863,384</u>	<u>(9,445)</u>	<u>7,044</u>	<u>1,860,983</u>
EXPENSES								
Program Service	1,490,476	-	-	1,490,476	1,515,895	-	-	1,515,895
Management and General	173,432	-	-	173,432	167,440	-	-	167,440
Total Expenses	<u>1,663,908</u>	<u>-</u>	<u>-</u>	<u>1,663,908</u>	<u>1,683,335</u>	<u>-</u>	<u>-</u>	<u>1,683,335</u>
INCREASE (DECREASE) IN NET ASSETS	73,800	(1,841)	13,820	85,779	180,049	(9,445)	7,044	177,648
NET ASSETS - BEGINNING OF YEAR	<u>646,826</u>	<u>141,838</u>	<u>179,935</u>	<u>968,599</u>	<u>466,777</u>	<u>151,283</u>	<u>172,891</u>	<u>790,951</u>
NET ASSETS - END OF YEAR	<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>

**MOHAWK VALLEY LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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**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 their financial position and activities according to three classes of net assets, if applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the system and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporary-Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the System and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of statement of activities and changes in net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the System. Generally, the donors of these assets permit the System to use all or part of the income earned on any related investments for general or specific purposes. The System has no Permanently Restricted Net Assets as of December 31, 2016 and 2017.

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 the System's services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

NOTE 2 - CONCENTRATION OF CREDIT RISK

At December 31, 2017, 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.

NOTE 3 - BOARD DESIGNATION OF NET ASSETS

Board-designated net assets at December 31, 2017 and 2016 consist of:

Designated for Vehicles, Equipment, Automation, and Building	\$119,997
Designated for Unemployment Self-Insurance	<u>20,000</u>
TOTAL DESIGNATED NET ASSETS	<u>\$139,997</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, 2017 and 2016 totaled \$57,569 and \$60,129 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.

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)

Events Occurring After Reporting Date

The System has evaluated events and transactions that occurred between December 31, 2017 and (Date), which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 6 – RELATED PARTY TRANSACTIONS

At December 31, 2017 and 2016, 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, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
State Automation Aid	\$ 76,500	\$ 76,500
Funds Paid to Related Party for Goods and Services	<u>360,824</u>	<u>344,615</u>
TOTAL EXPENSES PAID TO RELATED PARTY	<u>\$437,324</u>	<u>\$421,115</u>

NOTE 7 – 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, 2014 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.

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SUPPLEMENTAL INFORMATION

**MOHAWK VALLEY LIBRARY SYSTEM
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

SCHEDULE I

	2017			2016		
	Program Services	Management And General	2017 Totals	Program Services	Management And General	2016 Totals
Other Contractual Costs	\$ 550,149	\$ -	\$ 550,149	\$ 530,990	\$ -	\$ 530,990
Salaries and Related Expenses	335,464	111,821	447,285	308,659	102,886	411,545
Cash Grants to Member Libraries	268,314	-	268,314	313,112	-	313,112
Employee Benefits	132,800	44,267	177,067	128,723	42,908	171,631
Library Materials	143,016	-	143,016	156,077	-	156,077
Other Professional Fees	16,737	5,579	22,316	24,879	8,293	33,172
Building Repairs and Maintenance	8,148	2,716	10,864	11,855	3,952	15,807
Library Reimbursements	8,702	-	8,702	13,401	-	13,401
Insurance	5,795	1,932	7,727	6,481	2,160	8,641
Travel	3,811	1,270	5,081	6,449	2,150	8,599
Miscellaneous	4,452	1,484	5,936	4,003	1,335	5,338
Utilities	5,898	1,966	7,864	3,807	1,269	5,076
Repairs and Maintenance	2,604	868	3,472	2,958	986	3,944
Telephone	1,987	662	2,649	1,966	655	2,621
Office and Library Supplies	1,079	360	1,439	1,103	368	1,471
Equipment Purchases	1,095	365	1,460	1,019	340	1,359
Postage and Freight	425	142	567	413	138	551
Total Expenses	\$ 1,490,476	\$ 173,432	\$ 1,663,908	\$ 1,515,895	\$ 167,440	\$ 1,683,335