

SOUTHERN TIER LIBRARY SYSTEM

PAINTED POST, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Southern Tier Library System

Qualified Opinion

We have audited the financial statements of Southern Tier Library System, which comprise the balance sheets as of December 31, 2021 and 2020, 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, except for the effects on the financial statements of not accruing a net pension liability nor a liability for postretirement benefits related to future healthcare costs as described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Southern Tier Library System as of December 31, 2021 and 2020, 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 Qualified Opinion

Southern Tier Library System has not recognized a net pension liability nor accrued a liability for postretirement benefits relating to future healthcare costs nor provided related disclosure which, in our opinion, should be recorded and disclosed to conform with accounting principles generally accepted in the United States of America (GAAP). Southern Tier Library System has not determined the impact of this departure from GAAP on the balance sheets as of December 31, 2021 and 2020, or on the statements of activities for the years ended December 31, 2021 and 2020. We believe GAAP requires these liabilities to be recorded based on an actuarial calculation and we believe this liability, if calculated, would be material to the financial statements. See also Notes F and G.

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 Southern Tier Library System 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 qualified audit opinion.

Responsibilities of Management 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, 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 Southern Tier Library System's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 Southern Tier Library System'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 Southern Tier Library System'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.

Mengel, Metzger, Baw & Co. LLP

Elmira, New York
October 11, 2022

SOUTHERN TIER LIBRARY SYSTEM

BALANCE SHEETS

<u>ASSETS</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,176,409	\$ 1,493,558
Accounts receivable	132,798	624,678
Prepaid expenses	89,476	71,285
TOTAL CURRENT ASSETS	2,398,683	2,189,521
 <u>PROPERTY AND EQUIPMENT</u>		
Building and building improvements	1,011,113	1,011,113
Furniture, fixtures and equipment	217,660	343,630
Internet fiber	862,208	828,108
Vehicles	125,230	128,720
	2,216,211	2,311,571
Less allowance for depreciation	(1,630,864)	(1,559,559)
	585,347	752,012
Construction in progress	88,571	29,777
	673,918	781,789
 <u>OTHER ASSETS</u> - Collections	 -	 -
	<u>\$ 3,072,601</u>	<u>\$ 2,971,310</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 57,478	\$ 216,210
Accrued payroll and related withholdings	9,146	16,184
Accrued benefit time	134,276	122,568
Grant advance	328,778	162,669
TOTAL CURRENT LIABILITIES	529,678	517,631
 <u>NET ASSETS</u>		
Without donor restrictions:		
Operating	2,073,866	2,217,826
Board designated	350,000	100,000
	2,423,866	2,317,826
With donor restrictions	119,057	135,853
	2,542,923	2,453,679
	<u>\$ 3,072,601</u>	<u>\$ 2,971,310</u>

The accompanying notes are an integral part of the financial statements.

SOUTHERN TIER LIBRARY SYSTEM

STATEMENTS OF ACTIVITIES

	Year ended December 31,			Year ended December 31,		
	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
General library aid	\$ 972,376	\$ -	\$ 972,376	\$ 972,517	\$ -	\$ 972,517
Local services aid	92,916	-	92,916	92,930	-	92,930
Outreach aid	129,005	-	129,005	103,202	-	103,202
Other grants	-	202,829	202,829	-	262,619	262,619
Member library pass through	579,873	-	579,873	553,903	-	553,903
Member library automation fee	395,382	-	395,382	378,717	-	378,717
Telecommunications E-rate discount	303,365	-	303,365	166,442	-	166,442
Other income	67,528	-	67,528	69,056	-	69,056
Interest	620	-	620	639	-	639
Paycheck Protection Program grant income	-	195,845	195,845	-	195,843	195,843
Net assets released from restrictions	415,470	(415,470)	-	468,489	(468,489)	-
TOTAL SUPPORT AND REVENUE	2,956,535	(16,796)	2,939,739	2,805,895	(10,027)	2,795,868
Expenses:						
Program services	2,343,618	-	2,343,618	2,349,008	-	2,349,008
Management and general	506,877	-	506,877	444,335	-	444,335
TOTAL EXPENSES	2,850,495	-	2,850,495	2,793,343	-	2,793,343
CHANGE IN NET ASSETS	106,040	(16,796)	89,244	12,552	(10,027)	2,525
Net assets at beginning of year	2,317,826	135,853	2,453,679	2,305,274	145,880	2,451,154
NET ASSETS AT END OF YEAR	<u>\$ 2,423,866</u>	<u>\$ 119,057</u>	<u>\$ 2,542,923</u>	<u>\$ 2,317,826</u>	<u>\$ 135,853</u>	<u>\$ 2,453,679</u>

The accompanying notes are an integral part of the financial statements.

SOUTHERN TIER LIBRARY SYSTEM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
 (With Comparative Totals for 2020)

	Program Services					Total Program Services	Supporting Services	Year ended December 31,	
	Member Services	Outreach	Information Technology	Pass Through	Professional Development for Members		Management and General	2021	2020
							Total	Total	
Salaries and wages	\$ 139,843	\$ 74,116	\$ 310,683	\$ 15,242	\$ 148,658	\$ 688,542	\$ 241,874	\$ 930,416	\$ 928,964
Payroll taxes	9,717	5,376	26,103	1,166	10,995	53,357	26,666	80,023	78,704
Employee benefits	18,784	13,931	79,300	-	47,653	159,668	183,082	342,750	341,563
Library materials and supplies	14,053	13,033	(258)	-	942	27,770	-	27,770	41,788
Office supplies	247	160	71	-	-	478	5,569	6,047	6,963
Small equipment	-	-	12,491	-	-	12,491	-	12,491	10,778
Building repairs and maintenance	3,284	4,378	8,756	-	3,284	19,702	2,188	21,890	14,848
Equipment repairs and maintenance	13,376	-	89,472	-	892	103,740	1,187	104,927	100,029
Utilities	1,213	1,617	3,234	-	1,213	7,277	807	8,084	6,854
Insurance	1,945	2,594	5,188	-	1,945	11,672	1,297	12,969	12,820
Vehicle expenses	29,978	-	-	-	-	29,978	4,150	34,128	19,969
Telephone and internet	-	-	286,598	-	-	286,598	-	286,598	197,092
Postage	710	-	-	-	3	713	386	1,099	1,230
Publicity	-	-	-	-	-	-	3,989	3,989	2,769
Travel and training	190	867	3,016	-	15,206	19,279	1,861	21,140	15,033
Professional fees	972	175	13	-	4,162	5,322	11,664	16,986	16,817
Depreciation expense	32,082	42,776	85,553	-	32,082	192,493	21,389	213,882	234,183
Grant expense	60,693	49,719	-	32,605	-	143,017	768	143,785	206,977
Member library pass through	-	-	-	581,521	-	581,521	-	581,521	555,962
	<u>\$ 327,087</u>	<u>\$ 208,742</u>	<u>\$ 910,220</u>	<u>\$ 630,534</u>	<u>\$ 267,035</u>	<u>\$ 2,343,618</u>	<u>\$ 506,877</u>	<u>\$ 2,850,495</u>	<u>\$ 2,793,343</u>

The accompanying notes are an integral part of the financial statements.

SOUTHERN TIER LIBRARY SYSTEM

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services					Total Program Services	Supporting Services	2020 Total
	Member Services	Outreach	Information Technology	Pass Through	Professional Development For Members		Management and General	
Salaries and wages	\$ 147,575	\$ 96,377	\$ 353,901	\$ -	\$ 157,912	\$ 755,765	\$ 173,199	\$ 928,964
Payroll taxes	10,175	7,193	26,499	-	10,977	54,844	23,860	78,704
Employee benefits	16,332	13,153	75,484	-	43,733	148,702	192,861	341,563
Library materials and supplies	36,217	4,690	(359)	-	1,081	41,629	159	41,788
Office supplies	224	241	196	-	1,561	2,222	4,741	6,963
Small equipment	137	-	10,641	-	-	10,778	-	10,778
Building repairs and maintenance	2,227	2,970	5,939	-	2,227	13,363	1,485	14,848
Equipment repairs and maintenance	14,540	-	83,450	-	-	97,990	2,039	100,029
Utilities	1,028	1,371	2,742	-	1,028	6,169	685	6,854
Insurance	1,923	2,564	5,128	-	1,923	11,538	1,282	12,820
Vehicle expenses	16,597	-	-	-	-	16,597	3,372	19,969
Telephone and internet	-	-	197,092	-	-	197,092	-	197,092
Postage	700	-	-	-	-	700	530	1,230
Publicity	-	197	-	-	-	197	2,572	2,769
Travel and training	-	181	3,755	-	9,296	13,232	1,801	15,033
Professional fees	2,066	175	124	-	2,122	4,487	12,330	16,817
Depreciation expense	35,127	46,837	93,673	-	35,127	210,764	23,419	234,183
Grant expense	33,050	173,927	-	-	-	206,977	-	206,977
Member library pass through	-	-	-	555,962	-	555,962	-	555,962
	<u>\$ 317,918</u>	<u>\$ 349,876</u>	<u>\$ 858,265</u>	<u>\$ 555,962</u>	<u>\$ 266,987</u>	<u>\$ 2,349,008</u>	<u>\$ 444,335</u>	<u>\$ 2,793,343</u>

The accompanying notes are an integral part of the financial statements.

SOUTHERN TIER LIBRARY SYSTEM

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 89,244	\$ 2,525
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation	213,882	234,183
Paycheck Protection Program grant income	(195,845)	(195,843)
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	491,880	(502,933)
Prepaid expenses	(18,191)	(1,335)
Accounts payable	(158,732)	187,471
Accrued payroll and related withholdings	(7,038)	(15,674)
Accrued benefit time	11,708	27,031
Grant advance	166,109	159,071
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	593,017	(105,504)
<u>CASH FLOWS - INVESTING ACTIVITY</u>		
Purchase of property and equipment, net of disposals	(106,011)	(41,777)
NET CASH USED FOR INVESTING ACTIVITY	(106,011)	(41,777)
<u>CASH FLOWS - FINANCING ACTIVITY</u>		
Proceeds from Paycheck Protection Program loan	195,845	195,843
NET CASH PROVIDED FROM FINANCING ACTIVITY	195,845	195,843
NET INCREASE IN CASH AND CASH EQUIVALENTS	682,851	48,562
Cash and cash equivalents at beginning of year	1,493,558	1,444,996
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,176,409</u>	<u>\$ 1,493,558</u>

The accompanying notes are an integral part of the financial statements.

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Library System

The Southern Tier Library System (the "System") provides grants and services to member libraries and reading centers in Allegany, Schuyler, Steuben, Chemung and Yates counties in New York State.

Cash and cash equivalents

For purposes of presentation in the balance sheet, the System considers highly liquid investments with a maturity of three months or less which are available for operations to be cash equivalents. The System maintains its cash and cash equivalents in one financial institution, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances, which are fully collateralized by securities, aggregate approximately \$2,015,000 at December 31, 2021. The System has not experienced any losses in such accounts and believes it is not exposed to any significant risk in cash and cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management reviews these amounts periodically to determine if any receivables will potentially be uncollectible. Based on the information available, the System believes no allowance for doubtful accounts at December 31, 2021 and 2020 is necessary.

Property and equipment

Property and equipment are stated on the basis of cost if purchased or, if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to thirty years.

Expenditures for renewals and betterments are capitalized while expenditures for repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in activities.

Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put in use.

Collections

Books, periodicals and other library materials are not capitalized. Purchases of these items are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Contributions of these items are not reflected in the financial statements.

Net assets

Net assets, revenue, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions:

Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions:

Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Library aid

The System is funded primarily through New York State Education Department (SED) library aid. Library aid is allocated by SED based on formulas defined in Education Law. The System recognizes revenue when it receives notification of its allocated funding. Accounts receivable includes approximately \$20,000 and \$499,000 from Library Aid as of December 31, 2021 and 2020, respectively.

Other grants

Unconditional grants, including unconditional promises to give, are recognized as revenues in the period received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Conditional grants, including conditional promises to give, are recognized as revenue in the period in which the specified conditions are substantially met and no further barrier to recognition exists. Amounts received are classified as grant advances until recognized as revenue. The System has been awarded conditional grants totaling \$603,312 and \$174,746 at December 31, 2021 and 2020, respectively, that have not been recognized because the project conditions have not been met. Grant advances of \$325,180 and \$159,071 have been received as of December 31, 2021 and 2020, respectively.

The System assists member libraries in obtaining state and other grants. These grants are received by the System and passed through to member libraries. The passthrough revenue and expense is recognized when the grants are received.

Revenues from contracts with member libraries

Revenues are recognized when a good or service is transferred to a member library or reading center. A good or service is transferred when (or as) the member library or reading center obtains control of that good or service. Revenues are based on the consideration the System expects to receive in connection with its promises to deliver goods and services to member libraries and reading centers. Performance obligations are transferred to member libraries and reading centers at a point in time.

The System provides automation services to member libraries and reading centers. The transaction price is based upon a predetermined rate, set by the System, based on costs incurred and prorated to each member library and reading center. Revenue is recognized ratably throughout the year and is reported as member library automation fee in the accompanying statements of activities. The System invoices member libraries and reading centers annually or quarterly.

The System also provides technology and other services to member libraries and reading centers. The transaction price is based upon predetermined rates based on services provided. Revenue is recognized at a point in time when the service is provided.

Accounts receivable includes approximately \$30,000 and \$43,000 of billed and unpaid services as of December 31, 2021 and 2020, respectively.

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Telecommunications E-rate discount

The System receives E-rate discounts on telecommunication services, internet connectivity, and internal connections. Discounts are determined based on economic need, location and category of service. The System incurs eligible costs and applies for the E-rate discount reimbursement on a semi-annual basis. Revenue is recognized in the period the eligible costs are incurred based on the calculated allowable E-rate discount. Accounts receivable includes approximately \$83,000 for E-rate discount at both December 31, 2021 and 2020.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Tax exempt status

The System is a non-profit organization exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code.

The System has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The System files a Form 990 tax return in the U.S. federal jurisdiction and is not required to file in New York State. With few exceptions, as of December 31, 2021, the System would not be subject to U.S. federal income tax examinations by tax authorities for years ended prior to December 31, 2018. The tax returns for the years ended December 31, 2018 through December 31, 2021 are still subject to potential audit by the IRS. Management of the System believes it has no material uncertain tax positions and, accordingly has not recognized any liability for unrecognized tax benefits.

Use of estimates in the preparation of financial statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The System is currently evaluating the provisions of this standard to determine the impact the new standard will have on the System’s financial position or results of operations.

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2021 AND 2020

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Subsequent events

The System has conducted an evaluation of potential subsequent events occurring after the balance sheet date through October 11, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2021 and 2020:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,176,409	\$ 1,493,558
Accounts receivable	132,798	624,678
	<u>\$ 2,309,207</u>	<u>\$ 2,118,236</u>

As part of the System's liquidity management, it structures its financial assets to be available as its general expenditures and other obligations become due. The board has designated \$350,000 as capital reserves. Although the System does not intend to spend from those board designated funds for general expenditures, these amounts could be made available if necessary.

NOTE C: USE OF LAND

The System's building is situated on land that is leased for thirty years through May 2031 from Steuben-Allegany Board of Cooperative Education Services (BOCES) for a total sum of one dollar. The lease agreement includes renewal options and purchase options for the lessor to sell land to the lessee for one dollar and the lessee to sell the building to the lessor for one dollar. Due to the nature of the leasing arrangement, the System has not determined a fair market value of the use of the land, and accordingly has not recorded the related contribution revenue or lease expense.

NOTE D: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,399,948	\$ 1,436,037
Investment in property and equipment	673,918	781,789
Board designated capital reserve	350,000	100,000
	<u>\$ 2,423,866</u>	<u>\$ 2,317,826</u>

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2021 AND 2020

NOTE E: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2021	2020
Internet fiber capital expenditures	\$ 97,806	\$ 101,216
Family and adult literacy	11,542	10,853
Other	9,709	23,784
	<u>\$ 119,057</u>	<u>\$ 135,853</u>

NOTE F: RETIREMENT BENEFITS

Substantially all employees of the System are eligible to participate in the New York State Employees' Retirement System on a contributory basis. The System has not recorded a liability relating to the difference between the actuarially computed value of vested benefits and the Plan's assets as the information is not available for entities that do not present financial statements under Governmental Accounting Standards.

The System makes pension payments to the New York State Employees' Retirement System based on the salaries of participating employees multiplied by the most recent rates available from the New York State Employees' Retirement System. The pension contribution for the years ended December 31, 2021 and 2020 amounted to \$115,578 and \$97,497 respectively.

NOTE G: OTHER POSTRETIREMENT BENEFIT

The System pays a portion of health insurance premiums for certain retirees in accordance with a contract with the staff organization. The current contract expires June 30, 2024. Effective July 2015, no new employees are eligible for this benefit. The System is currently paying a total of \$8,079 per month for existing retirees. The System has not recorded a liability for the postretirement benefits and has not determined the impact on this departure from GAAP on the balance sheets as of December 31, 2021 and 2020, or on the statements of activities for the years then ended.

NOTE H: COMMITMENTS

The System has entered into construction contracts for a building renovation amounting to \$957,900. As of December 31, 2021, the System has incurred \$44,919 which is included in construction in progress. The System anticipates that the construction will be completed in 2022 and will be funded by New York State Public Library Construction Aid and System reserves.

SOUTHERN TIER LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2021 AND 2020

NOTE H: COMMITMENTS, Cont'd

The System has lease agreements for access to internet fiber connections for the System and certain member libraries with total current monthly lease payments of \$8,845 through May 2026. Lease expense for the years ended December 31, 2021 and 2020 amounted to \$105,140 and \$103,140, respectively. The future minimum lease payments as of December 31, 2021 on these lease agreements are summarized as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 84,993
2023	57,500
2024	54,000
2025	54,000
2026	22,500
	<u>\$ 272,993</u>

NOTE I: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses which are allocated based on time and effort, as well as facility costs and depreciation which are allocated on a square footage basis.

NOTE J: PAYCHECK PROTECTION PROGRAM

In May 2020, the System received \$195,843 through the Paycheck Protection Program (PPP) established by the Small Business Administration (SBA). The PPP funding is legally structured as a forgivable loan by the SBA. In order to receive forgiveness of the loan, the System must spend the funding for specific purposes and must generally maintain its full-time equivalent level of staffing over a defined time period. The system has accounted for the PPP funding as a conditional grant in the financial statements. As of December 31, 2020, the System's management believed the System had met the requirements for full forgiveness of the loan and as such, had recorded grant revenue totaling \$195,843 during the year ended December 31, 2020. The System applied for forgiveness in October 2020 and on January 5, 2021, the SBA approved the full forgiveness of the loan and all accrued interest. In January 2021, the System applied for and was approved by a bank for a second draw loan of \$195,845 through the Paycheck Protection Program. The loan was funded on February 1, 2021 and forgiven on November 9, 2021.