

Northern New York Library Network
Board of Trustees Meeting
January 14, 2021
Zoom Video Conference

The January 14, 2021 meeting of the Northern New York Library Network Board of Trustees was called to order at 10:08 A.M.

Trustees Present: Andrew Kelly, President; Susan Mitchell, Vice-President; Steve Kenworthy, Secretary; Ginger Tebo, Treasurer; Ellen Adams; Michelle Bishop; Gwen Cunningham; Jeff Garvey; Ivy Gocker; Jenica Rogers; Jill Tarabula and John Thomas.

Trustees Absent: Krista Briggs.

Guests: Peggy Rowe and Shannon Forkin, Dannible & McKee, LLP.

Staff Present: Meg Backus and Phil Jones.

Agenda

Motion 20/21--22: Andrew Kelly (Jenica Rogers) moved to approve the January 14, 2021 meeting Agenda as distributed. Carried unanimously.

Minutes

Motion 20/21--23: Ivy Gocker (Michelle Bishop) moved to approve the minutes of the November 19, 2020 meeting as distributed. Carried unanimously.

Audit Report & Form 990 FY 2019-2020

Peggy Rowe, Dannible & McKee, LLP reviewed the draft unqualified audit report of the Northern New York Library Network financial statements fiscal year ending June 30, 2020, as prepared by Dannible & McKee, LLP. Shannon Forkin, Dannible & McKee, LLP summarized the draft IRS form 990 of the Northern New York Library Network financial statements fiscal year ending June 30, 2020, as prepared by Dannible & McKee, LLP.

Peggy Rowe noted a list of Significant Deficiencies, Other Matters and NNYLN Management's responses to the Significant Deficiencies and Other Matters were included in their Management Letter dated January 14, 2021:

Significant Deficiencies

1. CUTOFF OF NET ASSETS.
During our audit we noted that the auditing entries relating to the prior year were posted in the current year, resulting in net assets not properly reconciling to the external financial

statements year over year. We recommend posting all adjusting audit entries as of the last day of the fiscal year to ensure proper cutoff is achieved and entries are recorded in the year they affect.

Management's response: Adjustments to net assets will be posted to FY 19-20 to reconcile internal and external financial statements.

2. ACCRUAL BASIS OF ACCOUNTING.

The Network maintains their internal general ledger on a cash basis. We recommend converting to the accrual basis and recording expenses and revenues when incurred as required under generally accepted accounting principles.

Management's response: The Network will convert its internal accounting method to the accrual basis by the end of FY 21-22 to allow time for training. End of year accruals in accounts receivable, accounts payable, and prepaid expenses will be reported for the auditing of FY 20-21.

3. RECONCILIATION OF INTERNAL RECORDS TO EXTERNAL FINANCIAL STATEMENTS.

During our audit, questions arose regarding the beginning audited balances related to restricted net asset disclosures in the external financial statements. It was ultimately determined that the previous restricted net asset balance was not accurate, as service revenue was being accounted for as donor restricted revenue in the prior audited financial statements. Management performed a review of the net asset accounts and provided additional information, resulting in a prior period reclass of beginning year restricted net assets.

We recommend that management review the external financial statements in detail to ensure they agree with the internal records and to understand the balances and disclosures being presented.

Management's response: The Network's 18-19 audit was issued using FASB Classifications for net assets of Unrestricted, Temporarily Restricted, or Permanently Restricted. This was an error that had to be corrected, as the new designations of "net assets without donor restrictions" and "net assets with donor restrictions" issued by FASB Accounting Standard Update (ASU) No. 2016-14 was in effect and should have been implemented.

The Network's board-restricted fund Automation Projects had previously been considered restricted net assets in the annual audit, including the one initially submitted for FY 2018-19. The clarification offered by ASU No. 2016-14 should have moved it out of restricted net assets and into net assets without donor restrictions in the corrected version.

Management recognizes its responsibility in "owning" the financial statements and preserving the independence of the auditor.

Other Matters

1. ADD ACCOUNT NUMBERS IN QUICKBOOKS.

During our audit we noted that the Network's chart of accounts in the accounting software contained titles, but no account numbers. As organizations grow, account numbers add an additional control to ensure amounts are being reported to the proper account and improve the readability of one's account list. In addition, account numbers are a useful tool to organize accounts outside of QuickBooks, such as in Excel, which simplifies reporting to outside parties such as accountants and legal consultants.

We recommend updating the Network's internal accounting software to include account numbers.

Management's response: The Network accepts the recommendation to add account numbers in QuickBooks and will do so within FY 20-21.

2. ANNUAL BUDGETING.

The Network does not develop annual budgets for the organization as a whole; rather a budget is only completed for Operating Funds. This budget does not account for large portions of operations, including other automation income, certain state aid, and hospital fees. A comprehensive budget is considered essential to effective management. Among other things, budgets set criteria for measuring the performance of programs and assisting in determining annual liquidity needs.

We recommend that management develop a detailed month by month budget before the start of each fiscal year. The budget should address all revenue sources and expenditure items, as well as be reviewed by management and modified as necessary prior to approval. In addition, we recommend that the budget be maintained in the Network's accounting software (QuickBooks) to allow for quick budget to actual reporting.

Management's response: Budgets have been in effect for each year's Automation Program, through a process of Committee recommendation (Automation Committee) and Board approval. The Hospital Library Program (HLP) has been managed and expended in accordance with the Network's annual contract with Samaritan Medical Center. Medical ILL has followed a plan of journal subscriptions and ILL reimbursements. The accounts Equipment Fund and Building Fund serve the purpose of allowing for occasional costs of maintenance and upgrades without disrupting the annual Operating Fund. Automation Projects has grown as the Newspaper project has gained higher and higher usage, and would benefit from an assessment of its role within the overall budget structure.

The Network will review its documentation and presentation of each account's annual budget.

3. **SEGREGATION OF MAJOR REVENUE SOURCES INTO UNIQUE ACCOUNTS.**
During our audit we noted that the general ledger chart of accounts currently lumps several revenue sources into single accounts. While these items can be partially segregated using a profit and loss by class account, several classifications can only be identified by drilling down into the detail data.

We recommend that the Network utilize separate revenue accounts to segregate the major sources of revenue (Operating State Aid, Supplemental State Aid, contributions from related parties, automation projects, etc.). This will allow for more transparency and audit efficiencies as internal records will more readily reflect the main categories of revenue presented in the external financial statements.

Management's response: The following accounts will be created to segregate major revenue sources:

- Basic Aid (Operating)
- Supplemental Aid (Operating)
- Digitization (Auto Projects)
- Pass Through (Auto Projects)

4. **HAVE AN ACTUARY DETERMINE POST-EMPLOYMENT BENEFIT OBLIGATION.**
The Network offers a post-employment benefit to its retired employees in accordance with the provisions of the Network's personnel manual. The determination of this obligation and related expense is sensitive to estimates and various complex calculations. The final responsibility of determining such estimates rests with management. We recommend that management hire an actuary who specializes in these calculations to best assist in estimating this obligation annually.

Management's response: The Network is inquiring into the cost of actuarial services to calculate OPEB liability annually. Inquiries to peer organizations across NYS revealed that those who offer post-employment benefits have the liability calculated by their auditors each year according to a formula.

Management will pursue a solution that minimizes the risk of uncertain obligations while also minimizing the cost of maintaining an accurate estimation of liabilities. The cost of calculating the liability should be appropriate or reasonably proportioned compared to the cost of actually fulfilling the benefit each year.

Motion 20/21--24: Steve Kenworthy (Jeff Garvey) moved to accept the draft audit and draft IRS Form 990 as prepared by Dannible & McKee, LLP. Carried unanimously.

Financial Statements

The Board reviewed and discussed the financial statements for October 2020 and November 2020. Staff responded to a number of general questions posed by Board members regarding the monthly statements.

Motion 20/21--25: Andrew Kelly (John Thomas) moved to accept the October 2020 and November 2020 financial statements as distributed. Carried unanimously.

Director Report

Meg Backus noted her written report was included in the Board packet. Highlights of current issues include:

Due to the delay of State Aid in 2020 the Network qualifies for the second round of the Payroll Protection Plan loans. The requirement for a 25% drop in gross revenue during comparable quarters in 2019 and 2020 was met.

A staff survey was conducted regarding current workplace conditions to confirm staff are confident in their safety and communication methods in place. Questions posed to staff and their responses were included in the board packet.

Meg briefly reviewed a preliminary draft of the five year plan of service and noted a copy was included in the board packet.

Next Meeting Dates

Board members agreed to the proposed next meeting dates for 2020-2021:

March 18, 2021 Thursday 10:00 A.M. - Zoom video

May 13, 2021 Thursday 10:00 A.M. – Zoom video

Adjournment

The Board meeting was adjourned at 12:01 P.M.

The January 14, 2021 meeting minutes were approved at the March 18, 2021 meeting.

◆ Next Board Meeting ◆
March 18, 2021, Thursday, 10:00 AM
Zoom Video Conference