

MICHIGAN LIBRARY ASSOCIATION
LANSING, MICHIGAN
REPORT FOR THE YEAR ENDED JUNE 30, 2022

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FINANCIAL STATEMENTS

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November 28, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Michigan Library Association

Opinion

We have audited the accompanying financial statements of Michigan Library Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Library Association as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Michigan Library Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The June 30, 2021 financial statements were reviewed by us, and our report thereon, dated December 8, 2021, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Michigan Library Association's ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Michigan Library Association'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 Michigan Library Association'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule of revenues and expenses, and the schedule of net assets are presented for purposes of additional analysis and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprise a condensed version of the basic financial statements including comparative balance sheets and comparative statements of revenues and expenses. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



MICHIGAN LIBRARY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

| | <u>Audited</u> <u>2022</u> | <u>Reviewed</u> <u>2021</u> |
|---|-------------------------------|--------------------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash and Cash Equivalents | \$465,623 | \$545,415 |
| Investments | 419,386 | 540,020 |
| Accounts Receivable | 277,705 | 130 |
| Prepaid Expenses | 39,279 | 11,279 |
| Total Current Assets | <u>\$1,201,993</u> | <u>\$1,096,844</u> |
| <u>NONCURRENT ASSETS</u> | | |
| Fixed Assets | 22,410 | 20,729 |
| Less: Accumulated Depreciation | <u>22,410</u> | <u>20,729</u> |
| Total Noncurrent Assets | <u>\$0</u> | <u>\$0</u> |
| <u>TOTAL ASSETS</u> | <u>\$1,201,993</u> | <u>\$1,096,844</u> |
| <u>LIABILITIES</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | \$28,029 | \$7,391 |
| Accrued Payroll | 4,796 | 3,529 |
| Accrued Vacation | 7,780 | 10,143 |
| Deferred Revenue | 339,023 | 305,988 |
| SBA Loan | 0 | 67,757 |
| Total Current Liabilities | <u>\$379,628</u> | <u>\$394,808</u> |
| <u>NET ASSETS</u> | | |
| <u>NET ASSETS</u> | | |
| <u>Without Donor Restrictions</u> | | |
| Undesignated | 742,661 | 622,314 |
| Designated by the Board | 72,020 | 71,038 |
| Total Without Donor Restrictions | <u>\$814,681</u> | <u>\$693,352</u> |
| <u>With Donor Restrictions</u> | | |
| Purpose Restrictions | 2,684 | 3,684 |
| Perpetual in Nature | 5,000 | 5,000 |
| Total With Donor Restrictions | <u>\$7,684</u> | <u>\$8,684</u> |
| Total Net Assets | <u>\$822,365</u> | <u>\$702,036</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$1,201,993</u> | <u>\$1,096,844</u> |

See accompanying notes and auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | Audited | | | Reviewed | | |
|---------------------------------------|-------------------------------|----------------------------|--------------------|-------------------------------|----------------------------|------------------|
| | 2022 | | | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| <u>SUPPORT AND REVENUES</u> | | | | | | |
| Membership Dues | \$385,540 | \$0 | \$385,540 | \$387,896 | \$0 | \$387,896 |
| Professional Development | 205,935 | 0 | 205,935 | 125,726 | 0 | 125,726 |
| Grants | 0 | 397,250 | 397,250 | 875 | 44,000 | 44,875 |
| Miscellaneous | 90,760 | 0 | 90,760 | 10,344 | 0 | 10,344 |
| Net Assets Released From Restrictions | 49,482 | (49,482) | 0 | 45,000 | (45,000) | 0 |
| Total Support and Revenues | <u>\$731,717</u> | <u>\$347,768</u> | <u>\$1,079,485</u> | <u>\$569,841</u> | <u>(\$1,000)</u> | <u>\$568,841</u> |
| <u>EXPENSES</u> | | | | | | |
| Program Services | 475,488 | 348,768 | 824,256 | 442,406 | 0 | 442,406 |
| Support Services | | | | | | |
| Management and General | 131,386 | 0 | 131,386 | 128,248 | 0 | 128,248 |
| Fundraising | 3,514 | 0 | 3,514 | 3,171 | 0 | 3,171 |
| Total Support Services | <u>\$134,900</u> | <u>\$0</u> | <u>\$134,900</u> | <u>\$131,419</u> | <u>\$0</u> | <u>\$131,419</u> |
| Total Expenses | <u>\$610,388</u> | <u>\$348,768</u> | <u>\$959,156</u> | <u>\$573,825</u> | <u>\$0</u> | <u>\$573,825</u> |
| <u>CHANGE IN NET ASSETS</u> | \$121,329 | (\$1,000) | \$120,329 | (\$3,984) | (\$1,000) | (\$4,984) |
| <u>NET ASSETS - BEGINNING</u> | <u>693,352</u> | <u>8,684</u> | <u>702,036</u> | <u>697,336</u> | <u>9,684</u> | <u>707,020</u> |
| <u>NET ASSETS - ENDING</u> | <u>\$814,681</u> | <u>\$7,684</u> | <u>\$822,365</u> | <u>\$693,352</u> | <u>\$8,684</u> | <u>\$702,036</u> |

See accompanying notes and auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | Audited | | | | Reviewed | | | |
|---------------------------|---------------------|---------------------|----------------|---------------------------|---------------------|---------------------|----------------|------------------|
| | 2022 | | | | 2021 | | | |
| | Program Services | Supporting Services | | | Program Services | Supporting Services | | |
| Management and General | | Fundraising | Total | Management and General | | Fundraising | Total | |
| <u>EXPENSES</u> | | | | | | | | |
| Salaries | \$215,257 | \$68,882 | \$2,870 | \$287,009 | \$197,458 | \$63,186 | \$2,633 | \$263,277 |
| Payroll Taxes | 15,319 | 4,902 | 204 | 20,425 | 15,064 | 4,820 | 201 | 20,085 |
| Employee Benefits | 32,971 | 10,551 | 440 | 43,962 | 25,241 | 8,077 | 337 | 33,655 |
| Total Personnel Costs | <u>\$263,547</u> | <u>\$84,335</u> | <u>\$3,514</u> | <u>\$351,396</u> | <u>\$237,763</u> | <u>\$76,083</u> | <u>\$3,171</u> | <u>\$317,017</u> |
| Professional Development | 107,152 | 0 | 0 | 107,152 | 41,935 | 0 | 0 | 41,935 |
| Awards and Grants | 310,684 | 0 | 0 | 310,684 | 6,214 | 0 | 0 | 6,214 |
| Staff Development | 2,335 | 779 | 0 | 3,114 | 1,338 | 446 | 0 | 1,784 |
| Travel | 4,812 | 1,604 | 0 | 6,416 | 337 | 112 | 0 | 449 |
| Facilities | 20,959 | 6,987 | 0 | 27,946 | 21,205 | 7,068 | 0 | 28,273 |
| Office Supplies | 1,707 | 569 | 0 | 2,276 | 1,693 | 565 | 0 | 2,258 |
| Contracted Services | 66,182 | 21,485 | 0 | 87,667 | 89,167 | 29,722 | 0 | 118,889 |
| Printing and Postage | 7,890 | 2,630 | 0 | 10,520 | 4,960 | 1,654 | 0 | 6,614 |
| Equipment and Technology | 20,428 | 6,810 | 0 | 27,238 | 25,595 | 8,532 | 0 | 34,127 |
| Miscellaneous Expenses | 18,560 | 6,187 | 0 | 24,747 | 12,199 | 4,066 | 0 | 16,265 |
| <u>TOTAL EXPENSES</u> | <u>\$824,256</u> | <u>\$131,386</u> | <u>\$3,514</u> | <u>\$959,156</u> | <u>\$442,406</u> | <u>\$128,248</u> | <u>\$3,171</u> | <u>\$573,825</u> |

See accompanying notes and auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>Audited</u> <u>2022</u> | <u>Reviewed</u> <u>2021</u> |
|---|-------------------------------|--------------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in Net Assets | \$120,329 | (\$4,984) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Forgiveness of Paycheck Protection Program Loans | (67,757) | (64,200) |
| Change in | | |
| Accounts Receivable | (277,575) | 6,574 |
| Prepaid Expenses | (28,000) | 584 |
| Accounts Payable | 20,638 | (14,081) |
| Accrued Payroll | 1,267 | (588) |
| Accrued Vacation | (2,363) | 1,142 |
| Deferred Revenue | 33,035 | 52,954 |
| Net Cash (Used In) Operating Activities | (\$200,426) | (\$22,599) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of Investments | (1,359,366) | (1,519,722) |
| Maturity of Investments | 1,480,000 | 1,330,000 |
| Net Cash Provided By (Used in) Investing Activities | \$120,634 | (\$189,722) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| SBA Loan Proceeds | 0 | 131,957 |
| <u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u> | (\$79,792) | (\$80,364) |
| Cash and Cash Equivalents at Beginning of Year | 545,415 | 625,779 |
| <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u> | <u>\$465,623</u> | <u>\$545,415</u> |

See accompanying notes and auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) NATURE OF ACTIVITIES

Michigan Library Association (the Association) was incorporated in 1968 as a nonprofit corporation dedicated to the support of its members, to the advancement of librarianship, and to the promotion of quality library service for all Michigan citizens. Michigan Library Association's membership is comprised of nearly 1,650 individual and institutional members from public, academic, private, and special libraries. The Association also endeavors to enhance the educational opportunities of the general public by conducting continuing education programs and promoting expansion of library resources and facilities.

Michigan Library Association operates under an elected Board of Directors and an Executive Director. The majority of the Association's revenue is from membership dues and continuing education revenues.

B) BASIS OF ACCOUNTING

The accounting policies of Michigan Library Association conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities as noted below. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles. The financial statements of the Michigan Library Association have been prepared on the accrual basis of accounting.

Accordingly, the Association reports its financial position and activities in two classes of net assets (net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions. Contributions received are recorded as without donor restriction, or with donor restriction support, depending on the existence and/or nature of any donor restrictions.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of petty cash, checking, and money market savings accounts. Cash equivalents consist of certificates of deposit with original maturity dates of 90 days or less. For the statement of cash flow purposes, the Association considers all highly liquid short-term investments as cash.

D) INVESTMENTS

Investments consist of certificates of deposit with original maturity dates of greater than 90 days. Investments are recorded at fair value. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

E) CONCENTRATION RISKS

The Association has cash with financial institutions in the amount of \$390,417 and \$44,180 as of June 30, 2022 and 2021, respectively, that is not federally insured due to either the type of financial instruments purchased or having greater than Federal Deposit Insurance Corporation (FDIC) limits on deposit at a particular bank.

The Association is required by accounting principles generally accepted in the United States of America to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Association to concentrations of credit risk, consist of the cash and investments defined above.

The Association places its cash and investments with high credit-quality financial institutions. Although such investments and cash balances exceeded the federally insured limits at certain times during the year and at year-end, they are, in the opinion of management, subject to minimal risk.

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) INCOME TAXES

Michigan Library Association is a nonprofit corporation and has been granted exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association is not classified as a private foundation.

G) FIXED ASSETS

Fixed assets acquired by the Association greater than \$2,500 are capitalized and stated at cost, if purchased, or at fair value, if donated. The cost of normal maintenance that does not add to the value of assets or materially extend the asset lives is not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 10 years.

H) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I) REVENUE RECOGNITION

Revenue is recognized when earned. Program service fees, membership dues, fees and auxiliary payments received in advance are deferred to the period the related services are performed or expenditures are incurred. Gifts and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

J) DEFERRED REVENUE

The annual membership dues are billed in advance to finance operations for the upcoming fiscal year. Those dues collected prior to their due date are recorded as deferred revenue and will be recognized as revenue in the subsequent fiscal year. Annual conference and other miscellaneous revenue collected in advance are also deferred.

K) CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of net assets without donor restrictions class.

L) FUNCTIONAL EXPENSES

The cost of providing programs and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Association. Certain costs of the Association have been allocated to program service and supporting service activities. Payroll and related expenses have been allocated based upon time percentages determined from the Association's time study results. Most other costs are either charged directly or are allocated to program service and supporting service activities based on management's estimation of activity as a result of the time study.

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) FINANCIAL STATEMENT PRESENTATION

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 or grantor restrictions. The governing body has not designated, from net assets without donor restrictions, net assets for an endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates the resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (See Note 6).

2) LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of June 30, 2022 and 2021 and are reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Total Current Assets | \$ 1,201,993 | \$ 1,096,844 |
| Less Excludable items | | |
| Prepaid Expenses | <u>(39,279)</u> | <u>(11,279)</u> |
| Total Financial Assets at June 30 | 1,162,714 | 1,085,565 |
| Contractual or Donor-Imposed Restrictions | | |
| Less Purpose Restricted Funds | (2,684) | (3,684) |
| Less Perpetual Funds | <u>(5,000)</u> | <u>(5,000)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 1,155,030</u> | <u>\$ 1,076,881</u> |

The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Association invests cash in excess of daily requirements in short-term investments (certificates of deposits). The Association does not maintain any available lines of credit.

3) FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|-----------------|-----------------|
| Equipment and Furniture | \$ 22,410 | \$ 20,729 |
| Less Accumulated Depreciation | <u>(22,410)</u> | <u>(20,729)</u> |
| <u>NET FIXED ASSETS</u> | <u>\$ 0</u> | <u>\$ 0</u> |

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

4) NON-CANCELABLE OPERATING LEASE

The Association leases office facilities from 3410 Belle Chase Way, LLC under a non-cancelable operating lease which expires June 30, 2024. Monthly rent under this lease agreement is \$1,897 until June 30, 2022. Future minimum lease payments at June 30, 2022, under this agreement, are as follows:

| Year Ending June 30, | |
|-------------------------|------------------|
| 2023 | \$ 23,448 |
| 2024 | 24,156 |
| <u>TOTAL</u> | <u>\$ 47,604</u> |

Gross rental expenses for the year ended June 30, 2022 and 2021 was \$23,908 and \$23,115, respectively.

5) DEFERRED REVENUE

Deferred revenue for the year ended June 30, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|-------------------------------|-------------------|-------------------|
| Advance Membership Dues | \$ 294,948 | \$ 285,508 |
| Advance Annual Conference | 44,075 | 20,480 |
| <u>TOTAL DEFERRED REVENUE</u> | <u>\$ 339,023</u> | <u>\$ 305,988</u> |

6) NET ASSETS WITH DONOR RESTRICTIONS

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as assets released from restrictions.

Net assets with donor restrictions are available for their restricted purpose at June 30, 2022 and 2021:

| | 2022 | 2021 |
|---|-----------------|-----------------|
| W.H. Kaiser Memorial – Income | \$ 2,684 | \$ 3,684 |
| W.H. Kaiser Memorial – Endowment | 5,000 | 5,000 |
| <u>NET ASSETS WITH DONOR RESTRICTIONS</u> | <u>\$ 7,684</u> | <u>\$ 8,684</u> |

7) ENDOWMENTS

Endowments consist of funds established for a variety of purposes and may include both donor-restricted funds and funds internally designated to function as endowments. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of these restrictions.

The Association has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as permitting the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021 there were no such donor stipulations. As a result of this interpretation, the Association retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

7) ENDOWMENTS (Continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by the UPMIFA. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Association and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Association.
7. The investment policies of the Association.

As of June 30, the Association has the following endowment net asset composition by type of fund:

| | With Donor Restrictions | | |
|--|------------------------------------|---|-----------------|
| | Accumulated Investment Gains | Original Gift in Perpetuity by Donor | Total |
| <u>2022</u> | | | |
| Donor-Restricted Endowment Funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 0 | \$ 5,000 | \$ 5,000 |
| Accumulated Investment Gains | 2,684 | 0 | 2,684 |
| <u>Endowment Net Assets, June 30, 2022</u> | <u>\$ 2,684</u> | <u>\$ 5,000</u> | <u>\$ 7,684</u> |
| <u>2021</u> | | | |
| Donor-Restricted Endowment Funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 0 | \$ 5,000 | \$ 5,000 |
| Accumulated Investment Gains | 3,684 | 0 | 3,684 |
| <u>Endowment Net Assets, June 30, 2021</u> | <u>\$ 3,684</u> | <u>\$ 5,000</u> | <u>\$ 8,684</u> |

8) RETIREMENT PLAN

Description of the Plan - The Association has established a simplified employee pension plan. This plan is a defined contribution retirement plan under IRS Code 403(b) that covers substantially all employees over age 21. Employees are immediately eligible for the 403(b) plan upon hire and are eligible to receive 5% employer contributions after 90 days of employment.

Funding Policy - The obligation to contribute to and maintain the plan for employees was established by the Board of Directors. No contribution is required from the employees.

Annual Retirement Expense - The Association's contribution rate for the plan was 5% of each participating employee's gross wages. Total retirement expense under the 403(b) plan was \$13,824 and \$12,333 for the years ended June 30, 2022 and 2021, respectively.

MICHIGAN LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

9) PAYCHECK PROTECTION PROGRAM LOAN

In April 2020 and May 2021, the Association entered into Paycheck Protection Program loans (the “PPP Loans”) with PNC Bank (the “Lender”) evidencing an unsecured promissory note in the amount of \$67,757 and \$64,200 for the years ended June 30, 2021 and 2020 (the “PPP Note”) pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Subject to the terms of the PPP Note, the PPP Loan bears interest at a fixed rate of 1% per year, with the first six months of interest deferred, and payable over a term of two years. The PPP Loan is unsecured and guaranteed by the Small Business Administration (SBA).

The PPP Loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

In accordance with FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, Subtopic 958-605*, the Association has initially recorded the PPP loans as loan liabilities. Pursuant to the ASU, the loans are recognized as income when the entity meets the terms of the loans by incurring eligible expenses. The Association incurred eligible expenses of \$67,757 and \$64,200 for the years ended June 30, 2021 and 2020, respectively, and, therefore, has recognized \$67,757 and \$64,200 of income included in grant revenue on the statement of activities for the years ended June 30, 2021 and 2020, respectively. The Association applied for and was granted full forgiveness of \$64,200 on March 4, 2021 and full forgiveness of \$67,757 on April 6, 2022.

10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor’s opinion, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

MICHIGAN LIBRARY ASSOCIATION
BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | Budget | Actual | Budget Positive (Negative) |
|--|-------------|-------------|----------------------------------|
| <u>REVENUES</u> | | | |
| <u>Membership Dues</u> | \$390,000 | \$385,540 | (\$4,460) |
| <u>Professional Development</u> | | | |
| Annual Conference | 75,000 | 76,630 | 1,630 |
| Think Space/Workshops | 127,450 | 67,290 | (60,160) |
| Spring Institute | 42,000 | 35,940 | (6,060) |
| Leadership and New Director Academy | 40,000 | 26,000 | (14,000) |
| Webinar | 1,900 | 75 | (1,825) |
| Total Continuing Education | \$286,350 | \$205,935 | (\$80,415) |
| <u>Grants</u> | | | |
| Grants | 41,500 | 47,250 | 5,750 |
| Statewide ARPA Marketing | 350,000 | 350,000 | 0 |
| Total Grants | \$391,500 | \$397,250 | \$5,750 |
| <u>Miscellaneous</u> | | | |
| Investment/Interest Income | 2,500 | 1,040 | (1,460) |
| Marketing and Advertising Fees | 1,000 | 1,510 | 510 |
| Miscellaneous | 69,500 | 69,877 | 377 |
| Unrealized Gains/(Losses) on Investments | 0 | (1,068) | (1,068) |
| Job Board | 3,500 | 4,627 | 1,127 |
| Subscriptions | 4,500 | 8,856 | 4,356 |
| Donations | 2,000 | 5,918 | 3,918 |
| Total Miscellaneous | \$83,000 | \$90,760 | \$7,760 |
| <u>TOTAL REVENUES</u> | \$1,150,850 | \$1,079,485 | (\$71,365) |
| <u>EXPENSES</u> | | | |
| <u>Personnel</u> | | | |
| Salaries | 320,000 | 287,009 | 32,991 |
| Payroll Taxes | 23,600 | 20,425 | 3,175 |
| Employee Insurances | 24,000 | 30,138 | (6,138) |
| Retirement Contributions | 14,750 | 13,824 | 926 |
| Total Personnel | \$382,350 | \$351,396 | \$30,954 |
| <u>Professional Development</u> | | | |
| Annual Conference | 20,000 | 8,249 | 11,751 |
| Spring Institute | 26,000 | 24,774 | 1,226 |
| Leadership Academy | 32,000 | 17,064 | 14,936 |
| Workshops/Surviving and Thriving Academy | 8,950 | 0 | 8,950 |
| Advocacy Day | 5,000 | 371 | 4,629 |
| Think Space | 75,000 | 55,194 | 19,806 |
| Webinars | 400 | 1,500 | (1,100) |
| Total Professional Development | \$167,350 | \$107,152 | \$60,198 |

See auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| <u>EXPENSES</u> (Continued) | <u>Budget</u> | <u>Actual</u> | <u>Variance with Budget Positive (Negative)</u> |
|-------------------------------------|--------------------|------------------|---|
| <u>Awards and Grants</u> | | | |
| Statewide Marketing - ARPA Grant | \$350,000 | \$301,518 | \$48,482 |
| Awards | 5,000 | 5,783 | (783) |
| Scholarships and Grants Awarded | 6,000 | 3,383 | 2,617 |
| Total Awards and Grants | <u>\$361,000</u> | <u>\$310,684</u> | <u>\$50,316</u> |
| <u>Other Expenses</u> | | | |
| Staff Development | 6,500 | 3,114 | 3,386 |
| Travel and Parking | 2,500 | 6,416 | (3,916) |
| <u>Facilities</u> | | | |
| Rent | 23,000 | 23,908 | (908) |
| Utilities | 2,500 | 1,728 | 772 |
| Business Insurance | 3,000 | 2,310 | 690 |
| Office Supplies | 5,000 | 2,276 | 2,724 |
| Contracted Services | 120,000 | 85,941 | 34,059 |
| ALA Counselor | 2,000 | 1,726 | 274 |
| <u>Printing and Postage</u> | | | |
| Printing/Copies | 5,000 | 1,433 | 3,567 |
| Postage | 2,000 | 2,538 | (538) |
| Public Relations and Communications | 3,500 | 6,549 | (3,049) |
| <u>Equipment and Technology</u> | | | |
| Telephone/Internet Services | 8,500 | 7,281 | 1,219 |
| Hardware/Equipment | 4,000 | 38 | 3,962 |
| Equipment Repairs and Maintenance | 1,500 | 2,457 | (957) |
| Software Subscriptions | 17,500 | 17,462 | 38 |
| Website Design | 10,000 | 0 | 10,000 |
| <u>Miscellaneous Expense</u> | | | |
| Board and Committee Expenses | 4,000 | 7,434 | (3,434) |
| Dues and Memberships | 3,500 | 7,574 | (4,074) |
| Bank/Merchant Fees | 6,000 | 8,224 | (2,224) |
| Miscellaneous Expense | 500 | 1,515 | (1,015) |
| Total Other Expenses | <u>\$230,500</u> | <u>\$189,924</u> | <u>\$40,576</u> |
| <u>TOTAL EXPENSES</u> | <u>\$1,141,200</u> | <u>\$959,156</u> | <u>\$182,044</u> |
| <u>CHANGE IN NET ASSETS</u> | <u>\$9,650</u> | <u>\$120,329</u> | <u>\$110,679</u> |

See auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
SCHEDULE OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | Audited 2022 | | | | | | | | |
|-----------------------------------|--|-----------------|------------------------------------|---------------------------|---------------------------|------------------------|-------------------------|---------------------------|--------------------|
| | Without Donor Restriction - Board Designated | | | | | With Donor Restriction | | | |
| | Without Donor Restrictions | Equity Fund | Educational Scholarship Fund | Advocacy Resource Fund | Total Board Designated | Grants | W.H. Kaiser Memorial | Total Donor Restricted | Total |
| <u>REVENUES</u> | | | | | | | | | |
| Contributions | \$4,936 | \$0 | \$90 | \$892 | \$982 | \$0 | \$0 | \$0 | \$5,918 |
| Grants | 0 | 0 | 0 | 0 | 0 | 47,250 | 0 | 47,250 | 47,250 |
| Other | 676,317 | 0 | 0 | 0 | 0 | 350,000 | 0 | 350,000 | 1,026,317 |
| Net Assets Released | | | | | | | | | |
| From Restrictions | 49,482 | 0 | 0 | 0 | 0 | (48,482) | (1,000) | (49,482) | 0 |
| Total Revenues | <u>\$730,735</u> | <u>\$0</u> | <u>\$90</u> | <u>\$892</u> | <u>\$982</u> | <u>\$348,768</u> | <u>(\$1,000)</u> | <u>\$347,768</u> | <u>\$1,079,485</u> |
| <u>EXPENSES</u> | <u>610,388</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>348,768</u> | <u>0</u> | <u>348,768</u> | <u>959,156</u> |
| <u>CHANGE IN NET ASSETS</u> | <u>\$120,347</u> | <u>\$0</u> | <u>\$90</u> | <u>\$892</u> | <u>\$982</u> | <u>\$0</u> | <u>(\$1,000)</u> | <u>(\$1,000)</u> | <u>\$120,329</u> |
| <u>NET ASSETS -</u> | | | | | | | | | |
| <u>JULY 1, 2021</u> | <u>622,314</u> | <u>21,291</u> | <u>35,263</u> | <u>14,484</u> | <u>71,038</u> | <u>0</u> | <u>8,684</u> | <u>8,684</u> | <u>702,036</u> |
| <u>NET ASSETS - JUNE 30, 2022</u> | <u>\$742,661</u> | <u>\$21,291</u> | <u>\$35,353</u> | <u>\$15,376</u> | <u>\$72,020</u> | <u>\$0</u> | <u>\$7,684</u> | <u>\$7,684</u> | <u>\$822,365</u> |

See independent auditor's opinion.

MICHIGAN LIBRARY ASSOCIATION
SCHEDULE OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | Reviewed 2021 | | | | | | | | | | | |
|-----------------------------------|--|-----------------|----------------------------------|-----------------|-----------------|-------------------------|--|---------------------------|------------|-------------------------|---------------------------|------------------|
| | Without Donor Restriction - Board Designated | | | | | | | With Donor Restriction | | | | |
| | Without Donor Restrictions | Public Library | MLA Temporarily Restricted | Education | Advocacy | Intellectual Freedom | Michigan Academic Library Council | Total Board Designated | Grants | W.H. Kaiser Memorial | Total Donor Restricted | Total |
| <u>REVENUES</u> | | | | | | | | | | | | |
| Contributions | \$357 | \$635 | \$0 | \$1,025 | \$50 | \$50 | \$0 | \$1,760 | \$0 | \$0 | \$0 | \$2,117 |
| Grants | 875 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,000 | 0 | 44,000 | 44,875 |
| Other | 521,849 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 521,849 |
| Net Assets Released | | | | | | | | | | | | |
| From Restrictions | 45,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (44,000) | (1,000) | (45,000) | 0 |
| Total Revenues | <u>\$568,081</u> | <u>\$635</u> | <u>\$0</u> | <u>\$1,025</u> | <u>\$50</u> | <u>\$50</u> | <u>\$0</u> | <u>\$1,760</u> | <u>\$0</u> | <u>(\$1,000)</u> | <u>(\$1,000)</u> | <u>\$568,841</u> |
| <u>EXPENSES</u> | <u>572,325</u> | <u>1,500</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,500</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>573,825</u> |
| <u>CHANGE IN NET ASSETS</u> | <u>(\$4,244)</u> | <u>(\$865)</u> | <u>\$0</u> | <u>\$1,025</u> | <u>\$50</u> | <u>\$50</u> | <u>\$0</u> | <u>\$260</u> | <u>\$0</u> | <u>(\$1,000)</u> | <u>(\$1,000)</u> | <u>(\$4,984)</u> |
| <u>NET ASSETS -</u> | | | | | | | | | | | | |
| <u>JULY 1, 2020</u> | <u>626,558</u> | <u>21,156</u> | <u>1,000</u> | <u>16,450</u> | <u>11,847</u> | <u>2,537</u> | <u>17,788</u> | <u>70,778</u> | <u>0</u> | <u>9,684</u> | <u>9,684</u> | <u>707,020</u> |
| <u>NET ASSETS - JUNE 30, 2021</u> | <u>\$622,314</u> | <u>\$20,291</u> | <u>\$1,000</u> | <u>\$17,475</u> | <u>\$11,897</u> | <u>\$2,587</u> | <u>\$17,788</u> | <u>\$71,038</u> | <u>\$0</u> | <u>\$8,684</u> | <u>\$8,684</u> | <u>\$702,036</u> |

See auditor's opinion