

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
DECEMBER 31, 2018**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Library System of Lancaster County
Lancaster, Pennsylvania

We have audited the accompanying financial statements of Library System of Lancaster County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Library System of Lancaster County as of December 31, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information on page 16 is 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 prepared 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 taken as a whole.

Sager, Swisher and Company, LLP

Lancaster, Pennsylvania
May 24, 2019

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,173,459
Accounts Receivable	129,344
Prepaid Expenses	149,827
Short-Term Investments	<u>160,000</u>

Total Current Assets 1,612,630

Property and Equipment

Furniture and Equipment	559,009
Vehicles	152,603
Leasehold Improvements	<u>151,555</u>

Total Property and Equipment 863,167

Less Accumulated Depreciation 581,546

Net Property and Equipment 281,621

Other Assets

Security Deposit	4,718
Long-Term Investments	<u>50,000</u>

Total Other Assets 54,718

TOTAL ASSETS \$ 1,948,969

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Accounts Payable	\$ 53,978
Accrued Wages	11,263
Current Portion – Lease Payable	15,938
Accrued Expenses	6,688
Deferred Revenue	32,459
Due to Member Libraries Fundraisers	5,607
Due to Council of Friends	<u>3,564</u>

Total Current Liabilities 129,497

Long-Term Liabilities

Capital Lease Payable – Bookmobile	<u>66,407</u>
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Total Long-Term Liabilities 66,407

Less Current Portion 15,938

Net Long-Term Liabilities 50,469

TOTAL LIABILITIES 179,966

LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

NET ASSETS

Without Donor Restrictions	1,712,118
With Donor Restrictions	<u>56,885</u>

TOTAL NET ASSETS	<u>1,769,003</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,948,969</u>
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The accompanying notes are an integral part of these financial statements.

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support			
State Funding			
Quality Aid	\$ 615,959	\$ --	\$ 615,959
Excellence Aid	702,440	--	702,440
County Coordination Aid	227,645	--	227,645
Equal Grant Aid	<u>32,517</u>	<u>--</u>	<u>32,517</u>
Total State Funding	1,578,561	--	1,578,561
County Funding	<u>1,993,739</u>	<u>--</u>	<u>1,993,739</u>
Total State and County Funding	3,572,300	--	3,572,300
Less Disbursements to Member Libraries	<u>1,511,167</u>	<u>--</u>	<u>1,511,167</u>
State and County Funding Retained by the System	<u>2,061,133</u>	<u>--</u>	<u>2,061,133</u>
Grants	214,865	--	214,865
Less Grants Disbursed to Member Libraries	<u>--</u>	<u>--</u>	<u>--</u>
Grants Retained by the System	<u>214,865</u>	<u>--</u>	<u>214,865</u>
Total Public Support	2,275,998	--	2,275,998
Other Revenue	<u>79,848</u>	<u>3,485</u>	<u>83,333</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>2,355,846</u>	<u>3,485</u>	<u>2,359,331</u>
NET ASSETS RELEASED FROM RESTRICTION			
Bookmobile	<u>75,685</u>	<u>(75,685)</u>	<u>--</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTION	<u>75,685</u>	<u>(75,685)</u>	<u>--</u>
EXPENSES AND LOSSES			
Program Services	1,768,437	--	1,768,437
Management and General	381,049	--	381,049
Fundraising	<u>28,122</u>	<u>--</u>	<u>28,122</u>
TOTAL EXPENSES AND LOSSES	<u>2,177,608</u>	<u>--</u>	<u>2,177,608</u>
INCREASE (DECREASE) IN NET ASSETS	253,923	(72,220)	181,723
NET ASSETS – BEGINNING OF YEAR	<u>1,458,195</u>	<u>129,085</u>	<u>1,587,280</u>
NET ASSETS – END OF YEAR	<u>\$ 1,712,118</u>	<u>\$ 56,885</u>	<u>\$ 1,769,003</u>

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

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Library Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	
Personnel					
Salaries and Wages	\$ 702,119	\$ 702,119	\$ 227,700	\$ 18,971	\$ 948,790
Employee Benefits	172,238	172,238	49,873	4,655	226,766
Collection Expenses					
Books	11,048	11,048	--	--	11,048
Subscriptions	1,580	1,580	--	--	1,580
Overdrive Subscription	8,000	8,000	--	--	8,000
Audio Visual	2,737	2,737	--	--	2,737
Computer Service Fees	44,806	44,806	--	--	44,806
Internet Access Fees	232,500	232,500	--	--	232,500
Collection Processing	85,390	85,390	--	--	85,390
Operating Overhead					
Property and Vehicle Expenses	24,263	24,263	17,854	874	42,991
Rent	78,373	78,373	8,708	--	87,081
Postage and Shipping	3,687	3,687	1,843	617	6,147
Supplies – Printing, Office and Computer	3,914	3,914	1,508	2,949	8,371
Accounting Services	--	--	16,497	--	16,497
Legal Services	--	--	428	--	428
Other Contracted Services	18,843	18,843	5,920	--	24,763
Miscellaneous Operating	8	8	4,862	56	4,926
Program and Services					
Computer Expenses	204,804	204,804	--	--	204,804
Bookmobile	10,387	10,387	--	--	10,387
Supplies – Printing, Office and Computer	28,728	28,728	--	--	28,728
Telephone and Other Telecommunications	9,245	9,245	--	--	9,245
Public Relations Expense	3,959	3,959	--	--	3,959
Library Programs	28,069	28,069	--	--	28,069
Travel and Conferences	5,460	5,460	--	--	5,460
Dues, Memberships and Events	2,054	2,054	--	--	2,054
Training and Development	8,734	8,734	--	--	8,734
Miscellaneous Operating Expenses	26	26	--	--	26
Local Grant Expense	77,465	77,465	--	--	77,465
Depreciation Expense	--	--	45,856	--	45,856
TOTAL EXPENSES	<u>\$ 1,768,437</u>	<u>\$ 1,768,437</u>	<u>\$ 381,049</u>	<u>\$ 28,122</u>	<u>\$ 2,177,608</u>

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

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$	181,723
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		45,856
(Increase) Decrease in Accounts Receivable		30,542
Prepaid Expenses		26,398
Increase (Decrease) In Accounts Payable		(15,799)
Accrued Wages		(2,092)
Accrued Expenses		1,952
Deferred Revenue		6,468
Due to Member Libraries Fundraisers		(150)
Due to Council of Friends		1,761
		1,761

**NET CASH PROVIDED BY OPERATING
ACTIVITIES**

276,659

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment		(174,613)
Sale (Purchase) of Investments		44,177
		44,177

NET CASH (USED) BY INVESTING ACTIVITIES

(130,436)

CASH FLOWS FROM FINANCING ACTIVITIES

New Borrowings – Capital Lease		79,687
Capital Lease Payments		(13,280)
		(13,280)

NET CASH PROVIDED BY FINANCING ACTIVITIES

66,407

NET INCREASE IN CASH

212,630

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR

960,829

CASH AND CASH EQUIVALENTS – END OF YEAR

\$ 1,173,459

**SUPPLEMENTAL CASH FLOW DISCLOSURES
YEAR ENDED DECEMBER 31, 2018**

Cash Paid for Interest	\$	3,884
Income Taxes	\$	--

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

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION SUMMARY

The Library System of Lancaster County (“the Organization”) was incorporated in Pennsylvania in 1987. The Library System was established to directly receive and distribute funds and to provide services to all local public libraries in Lancaster County. In addition, the Library System is responsible for planning and overseeing long-range programs and development of public library services in Lancaster County.

The Organization is recognized as a tax-exempt organization under Internal Revenue Code 501(c)(3) and, therefore, is generally not subject to federal income taxes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Organization uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized in the period earned and expenses are recognized when incurred.

B. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information and liquidity and availability of resources, and lack of consistency in type of information provided about expenses and investment return. Library System of Lancaster County has adjusted the presentation of these statements accordingly.

C. Financial Statement Presentation

The financial statements of Library System of Lancaster County have been prepared in accordance with the FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities, which requires Library System of Lancaster County to report information regarding its financial position and activities according to the following net asset classifications:

Without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Library System of Lancaster County’s management and the board of directors.

With donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Library System of Lancaster County or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

D. Fixed Assets and Depreciation

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets and a composite cost of \$2,500 or more are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives. The cost of books is expensed when purchased.

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

E. Accounts Receivable

It is the Organization's policy to record an allowance for doubtful accounts based on management's assessment of the collectability of specific balances and the aging of accounts receivable. Management has determined that no valuation allowance for uncollectible accounts is required as of December 31, 2018.

F. Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred. Amounts charged to expense for advertising for the year ended December 31, 2018 totaled \$3,959.

G. Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

H. Investments

The Organization reflects investments within its financial statements in accordance with the FASB ASC Topic relating to investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

I. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

J. Functional Expense Allocation Method

Functional expenses are charged directly to programs, management and general, or fundraising expense on specific identification of the expense purpose. Certain costs are allocated between two of more of these functional categories. Such allocations are determined by management on an equitable basis according to the following methods of allocation:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Operating Overhead	Full time equivalent (Percentage of personnel allocated to category)
Programs and Services	Direct Allocation
Local Grant Expenses	Direct Allocation
Depreciation	Direct Allocation

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

K. Grants and Contracts

The Organization accounts for grant and contract revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal requirements of each individual program are used as guidance. All funds not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

L. Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Uncertain Tax Positions

The Organization has adopted the provisions of the FASB ASC Topic relating to Income Taxes, relating to accounting for uncertainty in income taxes. The Organization recognizes the benefits or liabilities associated with a tax position during the period which, based on available evidence, management believes it is more likely than not that the position will be upheld upon examination. Tax positions that are other than routine business transactions are reevaluated annually. Generally, the statute of limitations for filed returns is three years from the date of filing.

Management is not aware of any uncertain positions taken by the Organization.

N. Compensated Absences

The Organization maintains a leave time policy in which employees can accrue earned leave time. Employees may carry over a maximum of half their annual eligibility of unused vacation time to the next year. The maximum amount that could be carried over by any employee is 12.5 days. Employees will be compensated for their balance of accrued vacation time upon voluntary termination or retirement. Employees may also carry over a maximum 975 hours of earned sick leave and are eligible, upon retirement, to receive payment of half their sick leave balance, up to 20 days.

It is the Organization's policy to record an accrued liability for material compensated absences. There were no material compensated absences requiring recognition as a liability as of December 31, 2018.

O. Financial Instruments

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

P. Contributed Services

No amounts have been reflected in the financial statements for contributed services because they do not meet the criteria established by the FASB ASC topic relating to Donated Services. However, board and committee members, and volunteers have donated significant amounts of their time to the Organization.

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – ORGANIZATION SUMMARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Q. Collections

It is the Organization's policy not to capitalize its collections. Collection expense for the year ended December 31, 2018 totaled \$386,061.

R. Management's Review

Management has evaluated subsequent events through May 24, 2019, the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following as of December 31, 2018:

S&T Bank Operating Account	\$ 255,878
S&T Bank Money Market	14,289
Fulton Bank Council of Friends General Account	3,564
BB&T Business Checking	5,900
BB&T Money Market	247,264
Members 1 st Business Savings	5
PNC Bank Checking Account	5,446
PNC Bank Money Market	5,805
PNC Investments Money Market	82,547
Union Community Bank Money Market	200,076
Fulton Bank Money Market	100,891
Mid Penn Bank Money Market	251,668
Cash on Hand	126
	\$ 1,173,459

NOTE 3 – CONCENTRATIONS

The Organization has checking accounts and a certificate of deposit at local banks. Bank deposits totaled \$1,265,246 as of December 31, 2018, of which \$1,115,711 is federally insured. Other amounts included in cash are not federally insured. All excess amounts are collateralized by a pool of marketable securities. This pool meets the requirement of Act 72, 1971 Session of the Pennsylvania General Assembly concerning deposits of public funds

The Organization maintains a broker sponsored investment account. Brokerage deposits totaled \$160,000 as of December 31, 2018 of which \$160,000 was insured by the Securities Investor Protection Corporation (SIPC).

The revenue from the County of Lancaster totaled \$1,993,739 or 52% of total revenue for the year ended December 31, 2018. The revenue from the Commonwealth of Pennsylvania totaled \$1,578,561 or 41% of total revenue for the year ended December 31, 2018.

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 – LONG-TERM LEASE

The Organization entered into a 5-year property lease from December 1, 2016 through November 30, 2021. The property lease is for facilities from which the Organization conducts its central operations. Rent payments are fixed at \$5,207 base per month for the first year. In the second through the fifth year the minimum fixed annual rent will increase per schedule in lease agreement. Additional rents for Common Area Maintenance and HVAC Maintenance are assessed at the beginning of the calendar year based on budgeted amounts and reconciled annually with actual expenditures by the landlord. For the calendar year 2018, fixed rent payments totaled \$84,996.

NOTE 5 – RETIREMENT

The Organization offers a salary reduction tax deferred annuity under Internal Revenue Code section 403(b). All employees are required, as a condition of employment, to participate after completion of a 90-day introductory period. Under this plan, pre-tax contributions are made for 5% of the employee's gross wages or the maximum allowable under current IRS regulations, whichever is less. Additionally, the Organization contributes 5% of the employees' gross wages up to the maximum allowed by law. Contributions made for the year ended December 31, 2018 was \$41,014.

NOTE 6 – CONTINGENCIES

The Organization may participate in various grant and contractual programs. These programs are subject to program compliance audits by the grantors and contractors, or their representatives. Accordingly, the Organization is potentially liable for any expenditure which may be disallowed pursuant to the terms of these programs. The Organization's management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of December 31, 2018 consists of the following:

LutherCare SAIL Grant	\$ 1,319
Catholic Health Initiative Book Grants	595
Steinman STEM Grant	16,030
Sage E-Rate Revenue	12,037
Other Deferred Revenue	<u>2,478</u>
	<u>\$ 32,459</u>

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 – SHORT-TERM INVESTMENTS

Short-Term Investments consist of the following Certificates of Deposit with original maturities twelve months or less:

	Maturity Date	Original Term	Interest Rate	Balance December 31, 2018
PNC Investments	1/15/2019	12 mos.	2.25%	80,000
PNC Investments	7/29/2019	12 mos.	2.35%	80,000
				<u>\$ 160,000</u>

Long-Term Investments consist of the following Certificates of Deposit with original maturities greater than twelve months:

	Maturity Date	Original Term	Interest Rate	Balance December 31, 2018
Union Community Bank	1/20/2020	13 mos.	2.42%	\$ 50,000
				<u>\$ 50,000</u>

NOTE 9 – CAPITAL LEASE

The Organization entered into a vehicle lease in March 2018. The lease is for the Bookmobile, and has monthly payments of \$1,722 including interest. Final payment is due February 2023.

Future minimum annual capital lease payments are as follows:

December 31, 2019	\$ 15,938
December 31, 2020	15,938
December 31, 2021	15,938
December 31, 2022	15,938
December 31, 2023	2,655
	<u>\$ 66,407</u>

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following as of December 31, 2018:

Board Designated from Unrestricted Funds:	
Short-Term Operating Expenses and	
Long-Term Expenditures	\$ 1,484,813
Unrestricted	227,305
	<u>\$ 1,712,118</u>

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

Specific Purpose:	
Bookmobile	\$ <u>56,885</u>
	<u>\$ 56,885</u>

Net assets with donor restrictions represent contributions received with explicit donor direction for the funds to be used for a new Bookmobile.

NOTE 12 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018.

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 1,173,459
Short-Term Investments	210,000
Accounts Receivable	129,344
Prepaid Expenses	<u>149,827</u>
	1,662,630
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>56,885</u>
	<u>56,885</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,605,745</u>

The Organization has \$1,605,745 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$1,116,574, short term investments of \$210,000, accounts receivable of \$129,344 and prepaid expenses of \$149,827. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet at least 90 days of normal operating expenses, which are, on average, approximately \$535,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, as part of its liquidity management, The Organization invests cash in excess of daily requirements in various investments, including certificates of deposit.

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 13 – RECLASSIFICATION OF NET ASSETS

Net assets as presented for December 31, 2017 have been adjusted under the guidance of ASU 2016-14 for these financial statements as follows:

	<u>As Presented December 31, 2017 Temporarily Restricted Net Assets</u>	<u>As Adjusted December 31, 2017 Net Assets With Donor Restrictions</u>
Bookmobile	\$ 139,001	\$ 129,085
	<u>\$ 139,001</u>	<u>\$ 129,085</u>
	<u>As Presented December 31, 2017 Undesignated Net Assets</u>	<u>As Adjusted December 31, 2017 Net Assets Without Donor Restrictions</u>
Undesignated	\$ 183,580	\$ 193,496
Board Designated	<u>1,264,699</u>	<u>1,264,699</u>
	<u>\$ 1,448,279</u>	<u>\$ 1,458,195</u>

SUPPLEMENTAL INFORMATION
OF
LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA
DECEMBER 31, 2018

**LIBRARY SYSTEM OF LANCASTER COUNTY
LANCASTER, PENNSYLVANIA**

**ANALYSIS OF STATE AND COUNTY FUNDING TO MEMBER LIBRARIES
YEAR ENDED DECEMBER 31, 2018**

	<u>State Aid</u>	<u>County Aid</u>	<u>Grand Total</u>
Funding	\$ 1,336,167	\$ 175,000	\$ 1,511,167
Disbursements			
Adamstown Area Library	61,571	10,262	71,833
Columbia Public Library	42,027	4,862	46,889
ELANCO Library	51,475	8,784	60,259
Elizabethtown Library	78,313	10,252	88,565
Ephrata Library	155,287	10,946	166,233
Lancaster Public Library	383,708	61,918	445,626
Lititz Public Library	107,680	10,424	118,104
Manheim Community Library	39,776	7,144	46,920
Manheim Township Library	124,121	12,336	136,457
Milanof-Schock Library	61,288	8,916	70,204
Moorea Memorial Library	43,446	3,288	46,734
Pequea Valley Public Library	83,787	9,888	93,675
Quarryville Library	56,295	12,036	68,331
Strasburg Heisler Library	47,373	3,944	51,317
Total Disbursements	<u>1,336,167</u>	<u>175,000</u>	<u>1,511,167</u>
Funding Retained by System	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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