

The James V. Brown Library of Williamsport and Lycoming County

Financial Statements

December 31, 2021 and 2020

**The James V. Brown Library of
Williamsport and Lycoming County**

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December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Directors of
The James V. Brown Library of Williamsport and Lycoming County

Opinion

We have audited the financial statements of The James V. Brown Library of Williamsport and Lycoming County (the Library), which comprise the statements of financial position 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Library 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 Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library 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 audit opinion.

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 the Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Library'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 the Library'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

Baker Tilly US, LLP

Williamsport, Pennsylvania
September 6, 2022

**The James V. Brown Library of
Williamsport and Lycoming County**

Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 1,068,457	\$ 826,712	Accounts payable, trade	\$ 275	\$ 323
Restricted cash	797,259	515,902	Accrued payroll and payroll taxes	65,533	54,732
Receivable from programs	1,625	6	Deferred revenue	<u>270,715</u>	<u>223,641</u>
Promises to give	20	350	Total current liabilities	<u>336,523</u>	<u>278,696</u>
Grants receivable	-	34,539	Total liabilities	<u>336,523</u>	<u>278,696</u>
Prepaid expenses	<u>24,681</u>	<u>37,333</u>			
Total current assets	1,892,042	1,414,842	Net Assets Without Donor Restrictions		
Investments	5,224,543	4,159,514	Designated for long-term investments	4,903,543	3,838,514
Beneficial Interest in Private Trust	871,771	813,203	Designated for plant facilities	132,772	101,640
Beneficial Interest in Perpetual Trust	333,764	297,218	Undesignated	<u>5,715,277</u>	<u>5,881,208</u>
Inventory, Painting	175,000	175,000	Total net assets without donor restrictions	10,751,592	9,821,362
Land, Buildings and Equipment, Net	5,089,787	5,362,602	Net Assets With Donor Restrictions	<u>2,498,792</u>	<u>2,122,321</u>
Total assets	<u>\$ 13,586,907</u>	<u>\$ 12,222,379</u>	Total net assets	<u>13,250,384</u>	<u>11,943,683</u>
			Total liabilities and net assets	<u>\$ 13,586,907</u>	<u>\$ 12,222,379</u>

See notes to financial statements

**The James V. Brown Library of
Williamsport and Lycoming County**

Statement of Activities

Year Ended December 31, 2021 (With Summarized Information for the Year Ended December 31, 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
Support and Revenue				
Public support	\$ 291,639	\$ 289,572	\$ 581,211	\$ 451,108
Government and other grant revenue:				
Commonwealth of Pennsylvania	873,112	-	873,112	873,112
Lycoming County	859,737	-	859,737	859,737
Paycheck Protection Program	277,700	-	277,700	277,700
Digitization grant	-	-	-	169,000
CARES Act Library Services and Technology Grant	46,045	-	46,045	-
Other local income	42,714	-	42,714	60,469
Other federal grants	6,000	-	6,000	-
CARES Act County Relief Block Grant	-	-	-	100,000
Total government and other grant revenue	<u>2,105,308</u>	<u>-</u>	<u>2,105,308</u>	<u>2,340,018</u>
Other revenue:				
Investment income	568,436	-	568,436	157,692
Change in value of beneficial interest in trusts	-	135,774	135,774	132,118
Miscellaneous	91,776	-	91,776	76,382
Fines	3,168	-	3,168	9,275
Copy machine and printing	8,397	-	8,397	6,078
Workshop income	-	-	-	375
Total other revenue	<u>671,777</u>	<u>135,774</u>	<u>807,551</u>	<u>381,920</u>
Net Assets Released From Restrictions	<u>48,875</u>	<u>(48,875)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,117,599</u>	<u>376,471</u>	<u>3,494,070</u>	<u>3,173,046</u>
Expenses				
Program services	1,188,611	-	1,188,611	1,323,861
Management and general	816,533	-	816,533	835,383
Fundraising	182,225	-	182,225	125,690
Total expenses	<u>2,187,369</u>	<u>-</u>	<u>2,187,369</u>	<u>2,284,934</u>
Change in net assets	930,230	376,471	1,306,701	888,112
Net Assets, Beginning	<u>9,821,362</u>	<u>2,122,321</u>	<u>11,943,683</u>	<u>11,055,571</u>
Net Assets, Ending	<u>\$ 10,751,592</u>	<u>\$ 2,498,792</u>	<u>\$ 13,250,384</u>	<u>\$ 11,943,683</u>

See notes to financial statements

**The James V. Brown Library of
Williamsport and Lycoming County**

Statement of Activities

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	\$ 147,445	\$ 303,663	\$ 451,108
Government and other grant revenue:			
Commonwealth of Pennsylvania	873,112	-	873,112
Lycoming County	859,737	-	859,737
Paycheck Protection Program	277,700	-	277,700
Digitization grant	169,000	-	169,000
CARES Act County Relief Block Grant	100,000	-	100,000
Other local income	60,469	-	60,469
Total government and other grant revenue	2,340,018	-	2,340,018
Other revenue:			
Investment income	157,692	-	157,692
Change in value of beneficial interest in trusts	-	132,118	132,118
Miscellaneous	76,382	-	76,382
Fines	9,275	-	9,275
Copy machine and printing	6,078	-	6,078
Workshop income	375	-	375
Total other revenue	249,802	132,118	381,920
Net Assets Released From Restrictions	47,491	(47,491)	-
Total support and revenue	2,784,756	388,290	3,173,046
Expenses			
Program services	1,323,861	-	1,323,861
Management and general	835,383	-	835,383
Fundraising	125,690	-	125,690
Total expenses	2,284,934	-	2,284,934
Change in net assets	499,822	388,290	888,112
Net Assets, Beginning	9,321,540	1,734,031	11,055,571
Net Assets, Ending	\$ 9,821,362	\$ 2,122,321	\$ 11,943,683

See notes to financial statements

**The James V. Brown Library of
Williamsport and Lycoming County**

Statement of Functional Expenses

Year Ended December 31, 2021 (With Summarized Information for the Year Ended December 31, 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Expenses					
Salaries	\$ 483,936	\$ 462,863	\$ 117,459	\$ 1,064,258	\$ 1,130,368
Building depreciation	155,136	51,712	-	206,848	207,216
Audio-visual	157,423	-	-	157,423	86,954
Professional fees	-	107,652	-	107,652	66,825
Books	95,123	-	-	95,123	63,717
Social security taxes	34,703	35,409	8,986	79,098	83,750
Health insurance	35,293	36,133	7,163	78,589	94,025
Equipment depreciation	37,188	12,396	-	49,584	49,922
Electric	35,202	11,734	-	46,936	44,029
Repairs and maintenance	-	42,007	-	42,007	36,737
Special events	-	-	37,234	37,234	15,206
Employees' retirement plan	12,502	13,086	3,336	28,924	31,889
Insurance	20,607	6,869	-	27,476	27,514
Periodicals and newspapers	23,284	-	-	23,284	41,427
Programs	22,903	-	-	22,903	7,862
Vehicle depreciation	16,383	-	-	16,383	20,074
Postage and freight	10,809	-	3,603	14,412	13,940
Training workshops	12,657	-	-	12,657	2,225
Miscellaneous	-	9,965	-	9,965	8,176
Equipment repairs and maintenance	6,744	2,248	-	8,992	8,170
Telephone	-	7,715	-	7,715	7,925
Publicity and promotion	2,250	-	3,651	5,901	6,004
Heat	4,369	1,456	-	5,825	6,201
Office supplies	-	5,768	-	5,768	6,713
Rental of furniture and equipment	5,380	-	-	5,380	5,381
Auto expense, gas and oil	3,655	-	-	3,655	3,493
Dues and membership	-	3,617	-	3,617	3,420
Technical services	3,574	-	-	3,574	3,479
Life/long-term disability insurance	1,579	1,264	316	3,159	3,558
Library supplies	2,840	-	-	2,840	3,731
Unemployment benefits	1,366	668	332	2,366	9,773
Purchase of furniture and equipment	-	2,343	-	2,343	545
Water	-	1,538	-	1,538	1,621
OCLC	1,315	-	-	1,315	1,411
Auto expense, repairs	1,241	-	-	1,241	4,184
Travel	714	-	-	714	771
Printing	435	-	145	580	1,148
Meals	-	90	-	90	1,470
Digitization expense	-	-	-	-	174,080
Total expenses	\$ 1,188,611	\$ 816,533	\$ 182,225	\$ 2,187,369	\$ 2,284,934

See notes to financial statements

**The James V. Brown Library of
Williamsport and Lycoming County**

Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 541,536	\$ 503,091	\$ 85,741	\$ 1,130,368
Building depreciation	155,412	51,804	-	207,216
Digitization expense	174,080	-	-	174,080
Health insurance	36,720	49,477	7,828	94,025
Audio-visual	86,954	-	-	86,954
Social security taxes	38,705	38,486	6,559	83,750
Professional fees	-	66,825	-	66,825
Books	63,717	-	-	63,717
Equipment depreciation	37,442	12,480	-	49,922
Electric	33,022	11,007	-	44,029
Periodicals and newspapers	41,427	-	-	41,427
Repairs and maintenance	-	36,737	-	36,737
Employees' retirement plan	13,451	15,342	3,096	31,889
Insurance	20,636	6,878	-	27,514
Vehicle depreciation	20,074	-	-	20,074
Special events	-	-	15,206	15,206
Postage and freight	10,455	-	3,485	13,940
Unemployment benefits	1,349	8,210	214	9,773
Miscellaneous	-	8,176	-	8,176
Equipment repairs and maintenance	6,128	2,042	-	8,170
Telephone	-	7,925	-	7,925
Programs	7,862	-	-	7,862
Office supplies	-	6,713	-	6,713
Heat	4,651	1,550	-	6,201
Publicity and promotion	3,000	-	3,004	6,004
Rental of furniture and equipment	5,381	-	-	5,381
Auto expense, repairs	4,184	-	-	4,184
Library supplies	3,731	-	-	3,731
Life/long-term disability insurance	1,704	1,584	270	3,558
Auto expense, gas and oil	3,493	-	-	3,493
Technical services	3,479	-	-	3,479
Dues and membership	-	3,420	-	3,420
Training workshops	2,225	-	-	2,225
Water	-	1,621	-	1,621
Meals	-	1,470	-	1,470
OCLC	1,411	-	-	1,411
Printing	861	-	287	1,148
Travel	771	-	-	771
Purchase of furniture and equipment	-	545	-	545
Total expenses	<u>\$ 1,323,861</u>	<u>\$ 835,383</u>	<u>\$ 125,690</u>	<u>\$ 2,284,934</u>

See notes to financial statements

**The James V. Brown Library of
Williamsport and Lycoming County**

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,306,701	\$ 888,112
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	272,815	277,212
Net realized and unrealized gains on investments	(459,550)	(40,329)
Change in value of beneficial interest in private and perpetual trusts	(135,774)	(132,118)
Changes in assets and liabilities:		
Receivable from programs	(1,619)	(6)
Promises to give, current contributions	330	(225)
Grants receivable	34,539	(34,539)
Prepaid expenses	12,652	(21,929)
Inventory, painting	-	(175,000)
Accounts payable, trade	(48)	(164)
Accrued payroll and payroll taxes	10,801	14,124
Deferred revenue	47,074	6,123
	<u>1,087,921</u>	<u>781,261</u>
Cash Flows From Investing Activities		
Purchase of investments	(2,459,010)	(2,492,314)
Proceeds from sales of investments	1,853,531	1,986,057
Proceeds from private foundation distribution	40,660	37,716
Purchase of building improvements and equipment	-	(8,673)
	<u>(564,819)</u>	<u>(477,214)</u>
Net cash used in investing activities		
Increase in cash, cash equivalents and restricted cash	523,102	304,047
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>1,342,614</u>	<u>1,038,567</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u><u>\$ 1,865,716</u></u>	<u><u>\$ 1,342,614</u></u>
Reconciliation of Cash and Restricted Cash to Statements of Financial Position		
Cash and cash equivalents	\$ 1,068,457	\$ 826,712
Restricted cash	797,259	515,902
	<u><u>\$ 1,865,716</u></u>	<u><u>\$ 1,342,614</u></u>
Supplemental Disclosures of Cash Flow Information		
Noncash contributions	<u><u>\$ -</u></u>	<u><u>\$ 175,000</u></u>

See notes to financial statements

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements include the accounts of The James V. Brown Library of Williamsport and Lycoming County (the Library), a public free library located in Williamsport, Pennsylvania. The Library was opened in 1907 to meet the needs of Lycoming County residents for education, reading and to provide the public with a source of free access to knowledge and information. The Library is supported primarily through government and other grants and donor contributions.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Library considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less and generally available for operations to be cash and cash equivalents.

Restricted cash represents amounts constrained to specific purposes by their providers (such as grantors, governmental agencies and others).

Investments and Investment Income

Investments in equity securities with readily determinable fair values and debt securities are measured at fair value in the statements of financial position. Cash and cash equivalents (money market funds) are carried at cost, which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the determination of changes in net assets without donor restrictions unless the income or loss is restricted by donor or law. Donor-restricted investment income is reported as an increase in net assets with donor restrictions depending on the type of restriction. The cost of investments received as gifts are reported at fair value as determined upon receipt.

The Library's investments are comprised of a variety of financial instruments which are managed by professional investment advisors. The fair values reported in the statements of financial position are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Beneficial Interest in Private Trust

The Library has been named the beneficiary of a private trust. The Library has the irrevocable right to receive annual distributions of income and principal on trust assets until those assets are exhausted. The Library recorded the estimated present value of the Library's future cash flows from this trust's assets as net assets with donor restrictions. As of December 31, 2021 and 2020, the Library's beneficial interest in the private trust amounted to \$871,771 and \$813,203, respectively. Investment income is reported by the Library as revenue with donor restrictions. Distributions from the trust to the Library are recorded as contributions without donor restrictions when received.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2021 and 2020

Beneficial Interest in Perpetual Trust

The Library has been named the beneficiary of a perpetual trust. The Library has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never the assets held in the trust. The Library records the fair market value of the trust assets as net assets with donor restrictions. As of December 31, 2021 and 2020, the Library's beneficial interest in the perpetual trust amounted to \$333,764 and \$297,218, respectively. Investment income is reported by the Library as revenue with donor restrictions. Distributions from the trust to the Library are recorded as investment income without donor restrictions when received.

Inventory, Painting

In 2020 the Library acquired through donation a painting that was appraised at \$175,000. At the donor's request the Library must retain the painting for ten years after which the Library has the right to sell the painting and use the proceeds to fund Library operations. Since the painting was not added to the Library's collections, the Library recognized an asset and donor restricted contribution for the appraised value of the painting.

Land, Buildings, Equipment and Depreciation

Property and equipment is recorded at cost; all assets with a purchase cost, or fair value, if acquired by gift, in excess of \$3,000 with an estimated useful life of one year or greater are capitalized. Any property and equipment acquired by contribution or grant is recorded at its fair value at the time received. Depreciation is provided by use of straight-line method over the estimated useful lives of the assets. Such useful lives range as follows: for buildings 7 - 50 years; land improvements, 15 years; furnishings and equipment 3 - 15 years, and; vehicles, 7 years.

Land, buildings and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. If long-lived assets are deemed impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds fair value. The recoverability of the carrying value of property and equipment is dependent on cash flows generated from operations. There were no impairment losses recorded in 2021 or 2020.

The Library has elected to expense the cost of books, prints, films, tapes and periodicals as they are purchased, and to expense the cost of minor furniture and equipment.

Collections, Inexhaustible Books/Collections and Deaccession Policy

The Library has acquired, through donation, various pieces of artwork, including paintings and sculptures. This artwork was collectively appraised at \$262,750 on August 5, 2005. The Library's policy is to maintain and publicly display this artwork, however, collection items are not capitalized because the values and lives are not readily determinable.

The Library has a deaccession policy by which management must submit a written recommendation to the Library's Board of Trustees before any object may be removed from the Library's collection. The recommendation shall include a description and an evaluation of the object and the reason for and proposed method of disposition, which may involve a sale, a donation, exchange, return to the donor or destruction. In the case of a sale, the Board of Trustees will limit use of the proceeds for the acquisition of new collection items, the direct care of existing collections, or both. The Library defines direct care as an investment in the existing collections by enhancing their life, usefulness or quality and thereby ensuring they will continue to benefit the public.

During 2021 and 2020, there were no items of artwork given away, damaged, destroyed, lost or otherwise devalued.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2021 and 2020

Net Assets

Net assets, revenues gains and losses 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. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions. The Board of Trustees has designated certain of these net assets without donor restrictions for long-term investment (endowment) and library facilities.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or those required to be maintained in perpetuity as a source of investment income, are accounted for in net assets with donor restrictions. 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.

Revenue, Revenue Recognition and Deferred Revenue

Public Support

The Library recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Government and Other Grant Revenue and Deferred Revenue

The Library's federal, state and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Library has incurred expenditures in compliance with the specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statements of financial position. The Library received cost-reimbursable grants of \$270,715 and \$223,641 that have not been recognized at December 31, 2021 and 2020, because qualifying expenditures had not yet been incurred.

Other Revenue

The Library recognizes revenue from copy machine, printing and workshop services when the services are provided. Fines are recorded upon receipt. Special events revenue, if any, is recorded at amounts equal to the cost of direct benefits to donors, with contribution revenue recorded for any difference. All services are transferred at a point in time.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2021 and 2020

Contributed Services

The Library receives contributed services from unpaid volunteers in connection with certain administrative and operational activities. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Library. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Donor-Restricted Gifts

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

Legacies and Bequests

The Library is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

Allocation of Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis on the statement of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, generally based on hours spent on the various functions.

Use of 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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Library is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal or state income taxes.

The Library accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined that there were no tax uncertainties that met the recognition threshold in 2021 and 2020.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2021 and 2020

Reclassification

Certain 2020 financial information has been reclassified to conform to the 2021 presentation.

Subsequent Events

The Library has evaluated subsequent events through September 6, 2022, which is the date the financial statements were available to be issued.

New Accounting Standards, Pending

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Topic 842 (as amended) is effective for the Library in its year ending December 31, 2022. The Library is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for the Library in its year ending December 31, 2022. The Library is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

2. Investments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. There is a framework established for measuring the fair value which includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Library for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

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The following table presents those financial assets that are measured annually at their fair value as of December 31, 2021, by level within the fair value hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents held for investment purposes	\$ 31,222	\$ 31,222	\$ -	\$ -
Common stocks:				
Financial services	708,874	708,874	-	-
Healthcare	493,373	493,373	-	-
Technology	456,525	456,525	-	-
Industrials	373,045	373,045	-	-
Energy	352,431	352,431	-	-
Real estate	301,599	301,599	-	-
Consumer cyclical	172,551	172,551	-	-
Communication services	150,299	150,299	-	-
Consumer defensive	138,853	138,853	-	-
Utilities	120,085	120,085	-	-
Basic materials	117,838	117,838	-	-
Total common stocks	<u>3,385,473</u>	<u>3,385,473</u>	-	-
Mutual funds:				
Fixed income	1,807,848	1,807,848	-	-
Total investments	5,224,543	5,224,543	-	-
Beneficial interest in private trust	871,771	-	-	871,771
Beneficial interest in perpetual trust	333,764	-	-	333,764
Total	<u>\$ 6,430,078</u>	<u>\$ 5,224,543</u>	<u>\$ -</u>	<u>\$ 1,205,535</u>

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The following table presents those financial assets that are measured annually at their fair value as of December 31, 2020, by level within the fair value hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents, held for investment purposes	\$ 509,004	\$ 509,004	\$ -	\$ -
Common stocks:				
Financial services	540,195	540,195	-	-
Healthcare	374,581	374,581	-	-
Industrials	318,516	318,516	-	-
Consumer defensive	216,166	216,166	-	-
Technology	187,166	187,166	-	-
Real estate	184,145	184,145	-	-
Communication services	169,341	169,341	-	-
Energy	153,724	153,724	-	-
Consumer cyclical	95,648	95,648	-	-
Basic materials	84,425	84,425	-	-
Utilities	57,408	57,408	-	-
Total common stocks	<u>2,381,315</u>	<u>2,381,315</u>	<u>-</u>	<u>-</u>
Mutual funds:				
Fixed income	<u>1,269,195</u>	<u>1,269,195</u>	<u>-</u>	<u>-</u>
Total investments	4,159,514	4,159,514	-	-
Beneficial interest in private trust	813,203	-	-	813,203
Beneficial interest in perpetual trust	<u>297,218</u>	<u>-</u>	<u>-</u>	<u>297,218</u>
Total	<u>\$ 5,269,935</u>	<u>\$ 4,159,514</u>	<u>\$ -</u>	<u>\$ 1,110,421</u>

There were no transfers into or out of the Level 3 assets during 2021 or 2020.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2021 and 2020.

Cash and cash equivalents are valued at cost, which approximates fair value.

Common stocks are valued at closing price reported on the active market on which the individual securities are traded.

Fixed-income mutual funds are valued at the quoted net asset value of shares held by the Library at year end.

Beneficial Interest in Trusts are valued at the fair value of the underlying assets which does not differ materially from the present value of future cash flows. The change in the value is attributable to changes in the fair value of the assets comprising the trusts, as well as changes in the present value of the estimated future payments to the beneficiary.

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The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Realized gain on investments	\$ 303,944	\$ -	\$ 303,944
Unrealized gain on investments	155,606	-	155,606
Dividend income	120,463	-	120,463
Interest income	19,512	-	19,512
Investment management fees	(31,089)	-	(31,089)
Total return on investments, net	\$ 568,436	\$ -	\$ 568,436

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Realized loss on investments	\$ (108,821)	\$ -	\$ (108,821)
Unrealized gain on investments	149,150	-	149,150
Dividend income	105,797	-	105,797
Interest income	35,310	-	35,310
Investment management fees	(23,744)	-	(23,744)
Total return on investments, net	\$ 157,692	\$ -	\$ 157,692

3. Land, Buildings and Equipment, Net

Land, buildings and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 140,327	\$ 140,327
Land improvements	62,424	62,424
Buildings	8,650,848	8,650,848
Furnishings and equipment	1,366,996	1,399,356
Vehicles	315,214	315,214
Total	10,535,809	10,568,169
Less accumulated depreciation	5,446,022	5,205,567
Land, building and equipment, net	\$ 5,089,787	\$ 5,362,602

Depreciation expense for the years ending December 31, 2021 and 2020 was \$272,815 and \$277,212 respectively.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
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4. Endowment Fund

At December 31, 2021 and 2020, the Library's endowment consists of two (2) donor-restricted funds to support the Library's operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors (Board) of the Library has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as net assets with donor restrictions (a) the original value of the gift donated to the endowment, (b) the original value of subsequent gifts to the endowment, if any, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions based on the existence of donor restrictions or by law.

The Library 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 needs of the Library 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 Library
- (7) The investment policies of the Library

At December 31, 2021 and 2020, the Library has investment and spending policies for endowment assets, which attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Library must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds, if any. Under this policy, as approved by the Board, the endowment assets are to be invested in a manner to provide income to the operating budget and to protect the corpus of the fund.

To satisfy its long-term rate-of-return objectives, the Library intends to rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). The Library will target a diversified asset allocation that places a greater emphasis on equity-based investments (approximately 60%) to achieve its long-term return objectives within prudent risk constraints.

The Library has a policy of appropriating for distribution from the endowment each year an amount approximating interest and dividend payments. If this distribution is not sufficient, the Board may approve the draw of additional funds to offset operating costs due to inadequate funding support. At no time will this distribution cause the market value of the endowment to drop below the amount of restricted funds.

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Endowment Net Asset Composition by Type of Fund as of December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	\$ -	\$ 321,000	\$ 321,000
Board designated endowments	4,903,543	-	4,903,543
Total	<u>\$ 4,903,543</u>	<u>\$ 321,000</u>	<u>\$ 5,224,543</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments	\$ -	\$ 321,000	\$ 321,000
Board designated endowments	3,838,514	-	3,838,514
Total	<u>\$ 3,838,514</u>	<u>\$ 321,000</u>	<u>\$ 4,159,514</u>

Changes in Endowment Net Assets for the years ended December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 3,838,514	\$ 321,000	\$ 4,159,514
Additions	516,101	-	516,101
Distributions	-	-	-
Fees	(31,089)	-	(31,089)
Investment return:			
Interest and dividend income	120,467	-	120,467
Net appreciation (realized and unrealized)	459,550	-	459,550
Total investment return	580,017	-	580,017
Increase in endowment assets	<u>1,065,029</u>	<u>-</u>	<u>1,065,029</u>
Endowment net assets, ending	<u>\$ 4,903,543</u>	<u>\$ 321,000</u>	<u>\$ 5,224,543</u>

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	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 3,291,928	\$ 321,000	\$ 3,612,928
Additions	514,195	-	514,195
Distributions	(90,000)	-	(90,000)
Fees	(23,744)	-	(23,744)
Investment return:			
Interest and dividend income	105,806	-	105,806
Net appreciation (realized and unrealized)	40,329	-	40,329
Total investment return	146,135	-	146,135
Increase in endowment assets	546,586	-	546,586
Endowment net assets, ending	<u>\$ 3,838,514</u>	<u>\$ 321,000</u>	<u>\$ 4,159,514</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or law requires the Library to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature at December 31, 2021 and 2020.

5. Pension Plan

The Library sponsors a 403(b) defined contribution retirement plan covering substantially all of its employees. Employees may contribute a portion of their eligible compensation and the Library will match the first 3.5% of eligible compensation contributed by the employee. Matching contributions totaled \$28,924 in 2021 and \$31,889 in 2020.

6. Net Assets Without Donor Restrictions, Designated by the Governing Board

Board-designated net assets exist for the following purposes as of December 31:

	2021	2020
Investments, endowment	\$ 4,903,543	\$ 3,838,514
Cash, capital improvements	80,209	49,077
Cash, vehicle replacement	52,563	52,563
Total	<u>\$ 5,036,315</u>	<u>\$ 3,940,154</u>

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
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7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Beneficial interest in private trust, books/materials	\$ 871,771	\$ 813,203
Contributions, maintenance of art collection/ Rotunda/ continuing education of staff/PA history collection	380,045	382,900
Cash, vehicle replacement	592,212	308,000
Investments, James V. Brown endowment	321,000	321,000
Beneficial interest in perpetual trust	333,764	297,218
	<u>2,498,792</u>	<u>2,122,321</u>
Total	<u>\$ 2,498,792</u>	<u>\$ 2,122,321</u>

During the years ended December 31, 2021 and 2020, the Library released \$48,875 and \$47,491, respectively, of donor restricted net assets, as restrictions related to certain operational and capital requirements were met.

8. Paycheck Protection Program

On April 28, 2020, the Library received proceeds in the amount of \$277,700 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). On January 25, 2021, the Library also received a second draw PPP loan in the amount of \$277,700. The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Library initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2021 and 2020, the Library had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Library has recorded a contribution of \$277,700 within its statement of activities for the years ended December 31, 2021 and 2020.

If the Library's PPP funds, or a portion of it, is ultimately not forgiven, that amount will be subject to the PPP terms and conditions discussed above. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), the Library is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Library does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

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9. Concentrations and Contingencies

Credit Risk

The Library's deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Library has \$1,225,301 and \$922,176 on deposit exceeding the federally insured limit as of December 31, 2021 and 2020, respectively.

Government Grants

The Library receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the Library's operations and programs.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures that may be disallowed by grantors cannot be determined at this time, although the Library expects such amounts, if any, to be immaterial.

10. Related-Party Transactions

The Lycoming County Library System Board (the System) serves as a conduit for the distribution of certain county taxes and state aid for public libraries received from the Pennsylvania Department of Education. The System made total allocations to the Library of \$1,318,377 in 2021 and 2020, which are reported in the Commonwealth of Pennsylvania (partial) and Lycoming County lines on the Statement of Activities.

11. Liquidity and Availability

As of December 31, 2021 and 2020, the Library has working capital of approximately \$1,556,000 and \$1,136,000, respectively.

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (less donor restricted)	\$ 1,068,457	\$ 826,712
Receivables, grants, rents and other	<u>1,645</u>	<u>34,895</u>
Total	<u>\$ 1,070,102</u>	<u>\$ 861,607</u>

The Library has investments, including endowments that have donor-restricted purposes, as well as certain assets that have been designated by the Board to function as endowments (i.e., quasi-endowment). These investments are not considered available for general expenditure within the next year and thus are not reflected in the amounts above. However, certain investments could be made available, if necessary.

As part of the Library's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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12. Subsequent Event

In February 2022, the Library approved the production specifications and authorized the start of production on a new Bookmobile and a new Storymobile, in the collective amount of \$422,252. Delivery of these vehicles is anticipated in early 2023.