

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

Financial Statements
and Supplementary Information

December 31, 2018 and 2017

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The 2017 audit was not conducted or required to be conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 also 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 The James V. Brown Library of Williamsport and Lycoming County as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the Library adopted new accounting guidance related to Financial Accounting Standards Board, Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
April 18, 2019

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

Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 1,177,424	\$ 1,197,127	Accounts payable, trade	\$ 10,426	\$ 3,608
Receivable from programs	1,332	6,079	Accrued payroll and payroll taxes	34,395	46,070
Promises to give	25	-	Agency payable	-	76,062
Accrued interest receivable	-	553	Deferred revenue	<u>215,723</u>	<u>232,913</u>
Grants receivable	40,000	-			
Prepaid expenses	27,017	13,937	Total current liabilities	<u>260,544</u>	<u>358,653</u>
Cash, restricted grant funds	-	28,689			
Cash, restricted, other	<u>-</u>	<u>76,062</u>	Total liabilities	<u>260,544</u>	<u>358,653</u>
Total current assets	1,245,798	1,322,447			
Investments	2,792,968	2,958,602	Net Assets		
Beneficial Interest In Private Trust	663,906	748,552	Without Donor Restrictions		
Beneficial Interest In Perpetual Trust	221,809	246,478	Designated for long-term investments	2,471,968	2,637,602
Land, Buildings and Equipment, Net	5,843,544	5,783,139	Designated for plant facilities	145,507	226,386
			Unrestricted, undesignated	<u>6,380,683</u>	<u>6,154,387</u>
			Total net assets without donor restrictions	8,998,158	9,018,375
			With Donor Restrictions	<u>1,509,323</u>	<u>1,682,190</u>
			Total net assets	<u>10,507,481</u>	<u>10,700,565</u>
Total assets	<u>\$ 10,768,025</u>	<u>\$ 11,059,218</u>	Total liabilities and net assets	<u>\$ 10,768,025</u>	<u>\$ 11,059,218</u>

See notes to financial statements

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

Statement of Activities

Year Ended December 31, 2018

(With Summarized Information for the Year Ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Public support	\$ 276,354	\$ -	\$ 276,354	\$ 407,015
Government and other grant revenue:				
Federal grants	914,283	-	914,283	579,367
Lycoming County	813,846	-	813,846	889,846
Commonwealth of Pennsylvania	799,704	-	799,704	799,704
Other intergovernmental grants	72,041	-	72,041	-
Other local income	57,260	-	57,260	30,963
Keystone grant	40,000	-	40,000	-
Total government and other grant revenue	2,697,134	-	2,697,134	2,299,880
Other revenue:				
Miscellaneous	169,460	-	169,460	142,901
Fines	23,281	-	23,281	26,821
Copy machine and printing	12,821	-	12,821	15,687
Workshop income	365	-	365	658
Change in value of beneficial interest in trusts	-	(71,887)	(71,887)	117,422
Investment (loss) income	(133,319)	-	(133,319)	255,176
Total other revenue	72,608	(71,887)	721	558,665
Net Assets Released from Restrictions	100,980	(100,980)	-	-
Total support and revenue	3,147,076	(172,867)	2,974,209	3,265,560
Expenses				
Program services	2,138,741	-	2,138,741	1,884,728
Management and general	853,986	-	853,986	827,961
Fundraising	174,566	-	174,566	192,077
Total expenses	3,167,293	-	3,167,293	2,904,766
Change in net assets	(20,217)	(172,867)	(193,084)	360,794
Net Assets, Beginning	9,018,375	1,682,190	10,700,565	10,339,771
Net Assets, Ending	\$ 8,998,158	\$ 1,509,323	\$ 10,507,481	\$ 10,700,565

See notes to financial statements

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

Statement of Activities

Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Public support	\$ 401,015	\$ 6,000	\$ 407,015
Government and other grant revenue:			
Lycoming County	889,846	-	889,846
Commonwealth of Pennsylvania	799,704	-	799,704
Federal grants	579,367	-	579,367
Other local income	30,963	-	30,963
Total government and other grant revenue	<u>2,299,880</u>	<u>-</u>	<u>2,299,880</u>
Other revenue:			
Investment income	255,176	-	255,176
Miscellaneous	142,901	-	142,901
Change in value of beneficial interest in trusts	-	117,422	117,422
Fines	26,821	-	26,821
Copy machine and printing	15,687	-	15,687
Workshop income	658	-	658
Total other revenue	<u>441,243</u>	<u>117,422</u>	<u>558,665</u>
Net Assets Released from Restrictions	<u>52,753</u>	<u>(52,753)</u>	<u>-</u>
Total support and revenue	<u>3,194,891</u>	<u>70,669</u>	<u>3,265,560</u>
Expenses			
Program services	1,884,728	-	1,884,728
Management and general	827,961	-	827,961
Fundraising	192,077	-	192,077
Total expenses	<u>2,904,766</u>	<u>-</u>	<u>2,904,766</u>
Change in net assets	290,125	70,669	360,794
Net Assets, Beginning	<u>8,728,250</u>	<u>1,611,521</u>	<u>10,339,771</u>
Net Assets, Ending	<u>\$ 9,018,375</u>	<u>\$ 1,682,190</u>	<u>\$ 10,700,565</u>

See notes to financial statements

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

Statement of Functional Expenses

Year Ended December 31, 2018

(With Summarized Information for the Year Ended December 31, 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Expenses					
Salaries	\$ 587,928	\$ 521,800	\$ 97,702	\$ 1,207,430	\$ 1,255,284
Program funds passed through to other agencies	823,000	-	-	823,000	514,543
Building depreciation	148,950	49,650	-	198,600	194,102
Books	108,045	-	-	108,045	115,144
Health insurance	40,538	57,327	8,255	106,120	102,116
Audio-visual	104,268	-	-	104,268	82,468
Social security taxes	41,594	39,918	7,474	88,986	92,869
Electric	41,742	13,914	-	55,656	59,805
Special events	-	-	45,574	45,574	42,221
Repairs and maintenance	-	41,714	-	41,714	38,063
Equipment depreciation	33,380	11,127	-	44,507	36,662
Programs	33,398	-	-	33,398	35,431
Periodicals and newspapers	31,615	-	-	31,615	51,862
Employee's retirement plan	12,375	14,924	3,419	30,718	31,299
Postage and freight	19,780	-	6,593	26,373	27,490
Insurance	19,694	6,565	-	26,259	25,730
Professional fees	-	26,214	-	26,214	25,380
Vehicle depreciation	20,953	-	-	20,953	20,953
Unemployment benefits	1,424	17,447	237	19,108	7,002
Miscellaneous	-	14,273	-	14,273	20,441
Equipment repairs and maintenance	8,576	2,859	-	11,435	10,389
Library supplies	11,382	-	-	11,382	13,203
Purchase of furniture and equipment	-	8,375	-	8,375	4,940
Telephone	-	8,333	-	8,333	8,272
Publicity and promotion	3,000	-	4,784	7,784	7,564
Office supplies	-	7,772	-	7,772	6,996
Auto expense, gas and oil	7,502	-	-	7,502	6,326
Training workshops	6,643	-	-	6,643	8,171
Auto expense, repairs	6,489	-	-	6,489	10,680
Heat	4,784	1,595	-	6,379	7,132
OCLC	6,297	-	-	6,297	6,328
Rental of furniture and equipment	5,936	-	-	5,936	7,851
Travel	4,305	-	-	4,305	6,653
Life/Long term disability insurance	1,862	1,652	309	3,823	3,927
Meals	-	3,200	-	3,200	3,074
Dues and membership	-	3,081	-	3,081	5,502
Technical services	2,625	-	-	2,625	4,367
Water	-	2,246	-	2,246	2,321
Printing	656	-	219	875	2,205
Total expenses	<u>\$ 2,138,741</u>	<u>\$ 853,986</u>	<u>\$ 174,566</u>	<u>\$ 3,167,293</u>	<u>\$ 2,904,766</u>

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

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Expenses				
Salaries	\$ 615,530	\$ 523,117	\$ 116,637	\$ 1,255,284
Program funds passed through to other agencies	514,543	-	-	514,543
Building depreciation	145,576	48,526	-	194,102
Books	115,144	-	-	115,144
Health insurance	47,976	46,647	7,493	102,116
Social security taxes	43,928	40,018	8,923	92,869
Audio-visual	82,468	-	-	82,468
Electric	44,854	14,951	-	59,805
Periodicals and newspapers	51,862	-	-	51,862
Special events	-	-	42,221	42,221
Repairs and maintenance	-	38,063	-	38,063
Equipment depreciation	27,496	9,166	-	36,662
Programs	35,431	-	-	35,431
Employee's retirement plan	13,808	13,409	4,082	31,299
Postage and freight	20,617	-	6,873	27,490
Insurance	19,298	6,432	-	25,730
Professional fees	-	25,380	-	25,380
Vehicle depreciation	20,953	-	-	20,953
Miscellaneous	-	20,441	-	20,441
Library supplies	13,203	-	-	13,203
Auto expense, repairs	10,680	-	-	10,680
Equipment repairs and maintenance	7,792	2,597	-	10,389
Telephone	-	8,272	-	8,272
Training workshops	8,171	-	-	8,171
Rental of furniture and equipment	7,851	-	-	7,851
Publicity and promotion	3,000	-	4,564	7,564
Heat	5,349	1,783	-	7,132
Unemployment benefits	1,944	4,690	368	7,002
Office supplies	-	6,996	-	6,996
Travel	6,653	-	-	6,653
OCLC	6,328	-	-	6,328
Auto expense, gas and oil	6,326	-	-	6,326
Dues and membership	-	5,502	-	5,502
Purchase of furniture and equipment	-	4,940	-	4,940
Technical services	4,367	-	-	4,367
Life/Long term disability insurance	1,926	1,636	365	3,927
Meals	-	3,074	-	3,074
Water	-	2,321	-	2,321
Printing	1,654	-	551	2,205
	<u>\$ 1,884,728</u>	<u>\$ 827,961</u>	<u>\$ 192,077</u>	<u>\$ 2,904,766</u>
Total expenses	<u>\$ 1,884,728</u>	<u>\$ 827,961</u>	<u>\$ 192,077</u>	<u>\$ 2,904,766</u>

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

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (193,084)	\$ 360,794
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	264,060	251,717
Net realized and unrealized (losses) gains on investments	228,440	(171,110)
Change in value of beneficial interest in private and perpetual trusts	71,887	(117,422)
Private restricted gifts	-	(6,000)
Changes in assets and liabilities:		
Receivable from programs	4,747	(4,776)
Promises to give, current contributions	(25)	95,812
Grants receivable	(40,000)	-
Accrued interest receivable	553	307
Prepaid expenses	(13,080)	18,772
Cash, restricted	104,751	495,728
Accounts payable, trade	6,818	1,591
Accrued payroll and payroll taxes	(11,675)	(10,969)
Agency payable	(76,062)	9,423
Deferred revenue	(17,190)	(511,707)
Net cash provided by operating activities	<u>330,140</u>	<u>412,160</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,764,285)	(758,424)
Proceeds from sales of investments	1,701,479	502,977
Purchase of building improvements and equipment	(324,464)	(75,497)
Proceeds from private foundation distribution	37,427	34,404
Net cash used in investing activities	<u>(349,843)</u>	<u>(296,540)</u>
Cash Flows from Financing Activities		
Proceeds from restricted contributions	-	6,000
(Decrease) increase in cash and cash equivalents	(19,703)	121,620
Cash and Cash Equivalents, Beginning	<u>1,197,127</u>	<u>1,075,507</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,177,424</u>	<u>\$ 1,197,127</u>
Supplemental Disclosures of Cash Flow Information		
Noncash contributions	<u>\$ 72,041</u>	<u>\$ -</u>

See notes to financial statements

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

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.

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.

Restricted Cash

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 statement 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 investment advisors. The fair values reported in the statement of the 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.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, the Library's beneficial interest in the private trust amounted to \$663,906 and \$748,552, 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.

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, 2018 and 2017, the Library's beneficial interest in the perpetual trust amounted to \$221,809 and \$246,478, 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.

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.

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.

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 5 - 15 years, and; vehicles, 7 years.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

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 2018 or 2017.

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 and Inexhaustible Books/Collections

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. During 2018, there were no items of artwork given away, damaged, destroyed, lost or otherwise devalued.

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 non-financial 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 statement of activities because the criteria for recognition have not been satisfied.

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 2018 and 2017.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

Cash Equivalents

For purposes of the statement 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.

Deferred Revenue

Operating funds designated by government funding agencies for particular operating purposes are deemed to be earned and reported as revenues when the Library has incurred expenditures in compliance with the contract. Amounts received but not yet earned are reported as deferred revenue.

Reclassification

Certain 2017 financial information has been reclassified to conform to the 2018 presentation.

Subsequent Events

The Library has evaluated subsequent events through April 18, 2019, which is the date the financial statements were available to be issued.

New Accounting Standard, Adopted

In 2018, the Library adopted the Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Library has adjusted the presentation of the accompanying financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures involving liquidity and availability of resources. These disclosures have been presented for 2018 only, as permitted by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Asset with Donor Restrictions;
- The financial statements include a new disclosure about liquidity and availability of resources at December 31, 2018 (Note 10).
- The functional expense disclosure for 2018 includes expenses reported both by nature and function. (See the statements of functional expenses on pages 6 and 7).
- Investment expenses of \$19,027 were reclassified to investment return, which resulted in a decrease in management and general expense and a decrease in investment return for the year ended December 31, 2017.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

New Accounting Standards, Pending

During May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Library may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Library is currently assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued 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 balance sheet. 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. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Library is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

During August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Library is currently assessing the effect that ASU No. 2016-15 will have on its cash flows.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for the Library's year ending December 31, 2019. ASU No. 2016-18 is to be applied retroactively with transition provisions.

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. ASU No 2018-08 is effective for the Library's year ending December 31, 2019.

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 James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

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.

The following table presents those financial assets that are measured annually at their fair value as of December 31, 2018, 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	\$ 15,480	\$ 15,480	\$ -	\$ -
Common stock				
Finance	503,927	503,927	-	-
Health technology	266,316	266,316	-	-
Electronic technology	180,823	180,823	-	-
Energy minerals	164,808	164,808	-	-
Utilities	121,906	121,906	-	-
Consumer/non-durables	116,163	116,163	-	-
Telecommunication services	99,078	99,078	-	-
Retail trade	95,624	95,624	-	-
Consumer services	81,033	81,033	-	-
Manufacturing	52,069	52,069	-	-
Industrial services	46,254	46,254	-	-
Distribution services	45,303	45,303	-	-
Technology services	37,633	37,633	-	-
Total common stocks	<u>1,810,937</u>	<u>1,810,937</u>	-	-
Mutual fund, Fixed income	966,552	966,552	-	-
Total investments	2,792,969	2,792,969	-	-
Beneficial interest in private trust	663,906	-	-	663,906
Beneficial interest in perpetual trust	221,809	-	-	221,809
Total	<u>\$ 3,678,684</u>	<u>\$ 2,792,969</u>	<u>\$ -</u>	<u>\$ 885,715</u>

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

Notes to Financial Statements
December 31, 2018 and 2017

The following table presents those financial assets that are measured annually at their fair value as of December 31, 2017, 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	\$ 127,532	\$ 127,532	\$ -	\$ -
Common stock				
Finance	431,679	431,679	-	-
Consumer/non-durables	281,053	281,053	-	-
Electronic technology	225,872	225,872	-	-
Health technology	155,157	155,157	-	-
Telecommunication services	149,854	149,854	-	-
Energy minerals	139,970	139,970	-	-
Utilities	127,101	127,101	-	-
Consumer services	110,375	110,375	-	-
Manufacturing	108,241	108,241	-	-
Technology services	56,152	56,152	-	-
Industrial services	37,258	37,258	-	-
Consumer/durable	36,194	36,194	-	-
Total common stocks	<u>1,858,906</u>	<u>1,858,906</u>	<u>-</u>	<u>-</u>
Corporate bonds	<u>26,274</u>	<u>26,274</u>	<u>-</u>	<u>-</u>
U.S. government/agency securities	<u>30,073</u>	<u>-</u>	<u>30,073</u>	<u>-</u>
Mutual fund, Fixed income	<u>915,816</u>	<u>915,816</u>	<u>-</u>	<u>-</u>
Total investments	2,958,601	2,928,528	30,073	-
Beneficial interest in private trust	748,552	-	-	748,552
Beneficial interest in perpetual trust	<u>246,478</u>	<u>-</u>	<u>-</u>	<u>246,478</u>
Total	<u>\$ 3,953,631</u>	<u>\$ 2,928,528</u>	<u>\$ 30,073</u>	<u>\$ 995,030</u>

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

Notes to Financial Statements
December 31, 2018 and 2017

For assets falling within Level 3 in the fair value hierarchy, the activity recognized during the years ending December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Beneficial interest in trust, beginning of year	\$ 995,030	\$ 912,011
Change in value of beneficial interest in trusts	(71,887)	117,422
Distribution to Library	<u>(37,428)</u>	<u>(34,403)</u>
Beneficial interest in trust, end of year	<u>\$ 885,715</u>	<u>\$ 995,030</u>

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, 2018 and 2017.

Cash and cash equivalents: Carried at cost, which approximates fair value.

Common stocks and corporate bonds: Valued at closing price reported on the active market on which the individual securities are traded.

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

U.S. government and agency securities: Valued using quoted market prices of similar securities, which are considered Level 2 inputs.

Beneficial Interest in Trusts: 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.

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

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividend income	\$ 96,079	\$ -	\$ 96,079
Interest income	19,335	-	19,335
Investment management fees	(20,293)	-	(20,293)
Unrealized loss on investments	(81,558)	-	(81,558)
Realized loss on investments	<u>(146,882)</u>	<u>-</u>	<u>(146,882)</u>
Total return on investments	<u>\$ (133,319)</u>	<u>\$ -</u>	<u>\$ (133,319)</u>
	<u>2017</u>		
Unrealized gain on investments	\$ 184,472	\$ -	\$ 184,472
Dividend income	85,230	-	85,230
Interest income	17,863	-	17,863
Realized loss on investments	(13,362)	-	(13,362)
Investment management fees	<u>(19,027)</u>	<u>-</u>	<u>(19,027)</u>
Total return on investments	<u>\$ 255,176</u>	<u>\$ -</u>	<u>\$ 255,176</u>

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

3. Land, Buildings, and Equipment, Net

Land, buildings, and equipment consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 140,327	\$ 140,327
Land improvements	62,424	36,940
Buildings	8,613,596	8,501,309
Furnishings and equipment	1,499,125	1,383,101
Vehicles	315,214	315,214
	<u>10,630,686</u>	<u>10,376,891</u>
Total	10,630,686	10,376,891
Less accumulated depreciation	<u>4,787,142</u>	<u>4,593,752</u>
	<u>\$ 5,843,544</u>	<u>\$ 5,783,139</u>

Depreciation expense for the year ending December 31, 2018 and 2017 was \$264,060 and \$251,717 respectively.

4. Endowment Fund

At December 31, 2018, 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 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

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

Notes to Financial Statements
December 31, 2018 and 2017

At December 31, 2018 and 2017, 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 of Directors, 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 70 percent) 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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 321,000	\$ 321,000
Board designated endowments	2,471,968	-	2,471,968
Total	<u>\$ 2,471,968</u>	<u>\$ 321,000</u>	<u>\$ 2,792,968</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 321,000	\$ 321,000
Board designated endowments	2,637,602	-	2,637,602
Total	<u>\$ 2,637,602</u>	<u>\$ 321,000</u>	<u>\$ 2,958,602</u>

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

Notes to Financial Statements
December 31, 2018 and 2017

Changes in Endowment Net Assets for the Year Ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,637,602	\$ 321,000	\$ 2,958,602
Additions	64,020	-	64,020
Distributions	(78,000)	-	(78,000)
Fees	(20,293)	-	(20,293)
Investment return:			
Interest and dividend income	96,526	-	96,526
Net depreciation (realized and unrealized)	<u>(227,887)</u>	<u>-</u>	<u>(227,887)</u>
Total investment return	(131,361)	-	(131,361)
Decrease in endowment assets	<u>(165,634)</u>	<u>-</u>	<u>(165,634)</u>
Endowment net assets, end of year	<u>\$ 2,471,968</u>	<u>\$ 321,000</u>	<u>\$ 2,792,968</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,211,044	\$ 321,000	\$ 2,532,044
Additions	264,090	-	264,090
Distributions	(78,000)	-	(78,000)
Fees	(19,027)	-	(19,027)
Investment return:			
Interest and dividend income	88,077	-	88,077
Net appreciation (realized and unrealized)	<u>171,418</u>	<u>-</u>	<u>171,418</u>
Total investment return	259,495	-	259,495
Increase in endowment assets	<u>426,558</u>	<u>-</u>	<u>426,558</u>
Endowment net assets, end of year	<u>\$ 2,637,602</u>	<u>\$ 321,000</u>	<u>\$ 2,958,602</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, 2018 and 2017.

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

Notes to Financial Statements
December 31, 2018 and 2017

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 percent of eligible compensation contributed by the employee. Matching contributions totaled \$30,718 in 2018 and \$31,252 in 2017.

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

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

	<u>2018</u>	<u>2017</u>
Investments	\$ 2,471,968	\$ 2,637,602
Cash, capital improvements	92,945	173,824
Cash, vehicle replacement	<u>52,562</u>	<u>52,562</u>
Total	<u>\$ 2,617,475</u>	<u>\$ 2,863,988</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Beneficial interest in private trust, books/materials	\$ 663,906	\$ 748,552
Contributions, maintenance of art collection/Rotunda/continuing education of staff/Pa history collection	216,384	219,195
Cash, vehicle replacement	86,224	96,965
Cash, capital improvements	-	50,000
Investments, James V. Brown endowment	321,000	321,000
Beneficial interest in perpetual trust	<u>221,809</u>	<u>246,478</u>
Total	<u>\$ 1,509,323</u>	<u>\$ 1,682,190</u>

During the years ended December 31, 2018 and 2017, the Library released \$100,980 and \$52,753, respectively, of donor restricted net assets, as restrictions related to certain operational and capital requirements were met.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2018 and 2017

8. Concentrations

Credit Risk

The Library's deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Library has \$228,615 and \$429,197 on deposit exceeding the federally insured limit as of December 31, 2018 and 2017.

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.

9. 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 \$1,233,925 in 2018 and 2017.

10. Liquidity and Availability

As of December 31, 2018, the Library has working capital of approximately \$985,000.

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following at December 31, 2018:

Cash and cash equivalents (less donor restricted)	\$ 1,091,200
Receivables, grants, rents and other	<u>41,357</u>
Total	<u>\$ 1,132,557</u>

The Library has investments, including endowments that have donor-restricted purposes, as well as certain assets that have been designated by its Board of Directors 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.

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

Schedule of Expenditures of Federal Awards
Year Ended December 31 , 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Total Received</u>	<u>Accrued (Deferred) Revenue at January 1, 2018</u>	<u>Total Federal Revenues</u>	<u>Total Federal Expenditures</u>	<u>Accrued (Deferred) Revenue at December 31, 2018</u>
Institute of Museum and Library Services - Grants to States									
Passed through the Commonwealth of Pennsylvania, Department of Education, Office of Commonwealth Libraries									
PA One Book Program	45.310	FC4100078299	10/01/17 - 9/30/18	\$ 216,700	\$ 216,700	\$ -	\$ 216,700	\$ 216,700	\$ -
Cruise Into Kindergarten	45.310	FC4100078297	10/01/17 - 9/30/18	321,200	321,200	-	321,200	321,200	-
Summer Learning	45.310	FC4100078298	10/01/17 - 9/30/18	367,400	367,400	-	367,400	367,400	-
Trustee Training	45.310	N/A	10/01/17 - 9/30/18	4,000	4,000	-	4,000	4,000	-
STEM Maker Kit	45.310	N/A	10/01/17 - 9/30/18	4,983	4,983	-	4,983	4,983	-
Total Institute of Museum and Library Services and total federal awards					<u>\$ 914,283</u>	<u>\$ -</u>	<u>\$ 914,283</u>	<u>\$ 914,283</u>	<u>\$ -</u>

See notes to the schedule of expenditures of federal awards

The James V. Brown Library of Williamsport and Lycoming County

Notes to Schedule of Expenditures of Federal Awards
December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The James V. Brown Library of Williamsport and Lycoming County (the "Library") under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Library, it is not intended to be and does not present the financial position, changes in net assets, or cash flows of the Library.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

3. Indirect Cost Rate

The Library has elected not to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The James V. Brown Library of Williamsport and Lycoming County (the "Library"), 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, and have issued our report thereon dated April 18, 2019. Our report disclosed that the Library adopted new accounting guidance relating to the presentation of financial statements of not-for-profit entities in 2018. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
April 18, 2019

**Independent Auditors' Report on Compliance
for the Major Federal Program and Report
on Internal Control Over Compliance
Required by the Uniform Guidance**

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

Report on Compliance for the Major Federal Program

We have audited The James V. Brown Library of Williamsport and Lycoming County's (the "Library") compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on the Library's major federal program for the year ended December 31, 2018. The Library's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Library's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Library's compliance.

Opinion on the Major Federal Program

In our opinion, the Library complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Library is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Library's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
April 18, 2019

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal program:

CFDA Number(s)	Name of Federal Program or Cluster
45.310	Institute of Museum and Library Services - Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.