

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

Financial Statements and
Supplementary Information

December 31, 2016



BAKER TILLY

Candor. Insight. Results.

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Independent Auditors' Report

Board of Trustees
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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the 2016 financial statements have been restated to recognize as revenue and expense certain governmental grant funding the Library previously accounted for as agency funds. 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 accompanying schedule of functional expenses on page 18 and the schedule of expenditures of federal awards on page 19, 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*, are presented for purposes of additional analysis and are 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 functional expenses and the schedule of expenditures of federal awards are 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 July 3, 2018, 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

July 3, 2018, except for our report on the schedule of expenditures of federal awards, for which the date is August 31, 2018

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

Statement of Financial Position
December 31, 2016

Assets		Liabilities and Net Assets	
Current Assets		Current Liabilities	
Cash and cash equivalents	\$ 1,075,507	Accounts payable, trade	\$ 2,017
Receivable from programs	1,303	Accrued payroll and payroll taxes	57,039
Promises to give	95,812	Agency payable	66,639
Accrued interest receivable	861	Deferred revenue	<u>744,620</u>
Prepaid expenses	32,710		
Cash - restricted grant funds	533,840	Total current liabilities	<u>870,315</u>
Cash - restricted, other	<u>66,639</u>		
Total current assets	1,806,672	Total liabilities	<u>870,315</u>
Investments	2,532,044	Net Assets	
		Unrestricted:	
Beneficial Interest In Private Trusts	688,074	Designated for long-term investments	2,211,044
		Designated for plant facilities	239,870
Beneficial Interest In Perpetual Trusts	223,937	Unrestricted, undesignated	<u>6,277,336</u>
Land, Buildings and Equipment, Net	<u>5,959,359</u>	Total unrestricted	8,728,250
		Temporarily restricted	1,066,583
		Permanently restricted, Assets held in perpetuity	<u>544,938</u>
		Total net assets	<u>10,339,771</u>
Total assets	<u>\$ 11,210,086</u>	Total liabilities and net assets	<u>\$ 11,210,086</u>

See notes to financial statements

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

Statement of Activities

December 31, 2016

	<u>Unrestricted</u>		<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Public support	\$ 302,833	\$ 7,300	\$ -	\$ 310,133
Government and other grant revenue:				
Commonwealth of Pennsylvania	799,704	-	-	799,704
Lycoming County	859,465	-	-	859,465
Other local income	54,093	-	-	54,093
Other intergovernmental grants	952,649	-	-	952,649
Federal grants	13,125	-	-	13,125
Total government and other grant revenue	2,679,036	-	-	2,679,036
Other revenue:				
Miscellaneous	124,790	-	-	124,790
Unrealized gain on investments	145,693	-	-	145,693
Fines	30,131	-	-	30,131
Interest income	17,553	-	-	17,553
Dividend income	74,339	-	-	74,339
Copy machine and printing	13,403	-	-	13,403
Workshop income	320	-	-	320
Change in value of beneficial interest in trusts	-	36,989	6,594	43,583
Realized gain on investments	22,963	-	-	22,963
Total other revenue	429,192	36,989	6,594	472,775
Net assets released from restrictions	73,744	(73,744)	-	-
Total support and revenue	3,484,805	(29,455)	6,594	3,461,944
Expenses				
Program services	2,276,943	-	-	2,276,943
Management and general	828,169	-	-	828,169
Fundraising	184,430	-	-	184,430
Total expenses	3,289,542	-	-	3,289,542
Change in net assets	195,263	(29,455)	6,594	172,402
Net Assets, Beginning	8,532,987	1,096,038	538,344	10,167,369
Net Assets, Ending	\$ 8,728,250	\$ 1,066,583	\$ 544,938	\$ 10,339,771

See notes to financial statements

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

Statement of Cash Flows

December 31, 2016

Cash Flows from Operating Activities

Change in net assets	\$ 172,402
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	278,105
Net realized and unrealized gains on investments	(168,656)
Change in value of beneficial interest in private and perpetual trusts	(43,583)
Contributions restricted for capital purposes:	
Private restricted gifts	(7,300)
Changes in assets and liabilities:	
Receivable from programs	190,130
Promises to give - current contributions	(91,177)
Accrued interest receivable	10
Prepaid expenses	8,551
Cash - restricted	(490,133)
Accounts payable, trade	(4,432)
Accrued payroll and payroll taxes	23,745
Agency payable	66,639
Deferred revenue	608,510
	<hr/>
Net cash provided by operating activities	542,811

Cash Flows from Investing Activities

Proceeds from sales of investments	547,899
Purchase of investments	(1,004,013)
Purchase of building improvements and equipment	(5,712)
Proceeds from private foundation distribution	34,268
	<hr/>
Net cash used in investing activities	(427,558)

Cash Flows from Financing Activities

Proceeds from restricted contributions	7,300
Change in gift annuity obligation	(11,631)
	<hr/>
Net cash provided (used in) by financing activities	(4,331)

Increase in cash and cash equivalents 110,922

Cash and Cash Equivalents, Beginning

 964,585

Cash and Cash Equivalents, Ending

 \$ 1,075,507

See notes to financial statements

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increase those net asset classes. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets 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.

Promises to Give

Promises to give are recorded at the present value of estimated future cash flows. The discounts on those amounts are typically computed using a risk-free interest rate applicable to the year in which the promise to give is made which does not materially differ from a risk adjusted rate. Promises to give at December 31, 2016 consist of approximately \$95,000 related to a bequest, the proceeds of which were received in early 2017.

Restricted Cash

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

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

Investments

Equity securities and debt securities are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities.

The cost of investments received as gifts are reported at fair value as determined upon receipt.

All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor imposed stipulations.

Investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement 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 trust assets as temporarily restricted net assets. As of December 31, 2016 the Library's beneficial interest in the private trust amounted to \$688,074. Investment income is reported by the Library as temporarily restricted revenue. Distributions from the trust to the Library are recorded as unrestricted contributions 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 permanently restricted net assets. As of December 31, 2016 the Library's beneficial interest in the perpetual trust amounted to \$223,937. Investment income is reported by the Library as permanently restricted revenue. Distributions from the trust to the Library are recorded as unrestricted investment income when received.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those net assets whose use by the Library has been limited by donors to a specific time period or purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Library in perpetuity.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

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.

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 2016.

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 2016, 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.

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.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

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 2016.

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.

Subsequent Events

The Library has evaluated subsequent events through July 3, 2018, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and noted that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Library is assessing the impact this standard will have on its financial statements.

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 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

2. Restatement

During the year ended December 31, 2017, the Library concluded, in consultation with the Pennsylvania Department of Education, Office of Commonwealth Libraries ("PDE"), that certain resources provided by PDE to the Library should be recognized as non-exchange transactions (i.e., revenue, along with an offsetting expense) in the Library's statement of activities. Previously, the Library had deemed its role in these programs to be that of a fiscal agent, whereby program funds were reported as agency funds (clearing accounts), or assets it held in a custodial role, until such funds were allocated to the organizations or government agencies PDE indicated (i.e., no revenue or expense to the Library).

While the effect of this restatement had no impact on the Library's overall change in net assets for 2016, \$533,840 was reclassified from an agency payable liability to deferred revenue at December 31, 2016; also, intergovernmental grants were increased in the amount of \$952,649, along with a corresponding increase in program services (primarily program funds passed through to other agencies) within the 2016 statement of activities.

3. 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.

The James V. Brown Library of
Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

The following table presents those financial assets that are measured annually at their fair value as of December 31, 2016, 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	\$ 24,014	\$ 24,014	\$ -	\$ -
Common stocks				
Consumer/non-durables	277,789	277,789	-	-
Finance	277,257	277,257	-	-
Utilities	223,714	223,714	-	-
Telecommunication services	132,500	132,500	-	-
Manufacturing	131,829	131,829	-	-
Electronic technology	131,810	131,810	-	-
Energy minerals	130,572	130,572	-	-
Health Technology	130,385	130,385	-	-
Consumer services	99,654	99,654	-	-
Technology services	66,728	66,728	-	-
Commercial services	33,229	33,229	-	-
Total common stocks	<u>1,635,467</u>	<u>1,635,467</u>	<u>-</u>	<u>-</u>
Corporate bonds	<u>52,633</u>	<u>52,633</u>	<u>-</u>	<u>-</u>
U.S. government/agency securities	<u>30,241</u>	<u>-</u>	<u>30,241</u>	<u>-</u>
Mutual fund, Fixed income	<u>789,689</u>	<u>789,689</u>	<u>-</u>	<u>-</u>
Total investments	2,532,044	2,501,803	30,241	-
Beneficial interest in private trust	688,074	-	-	688,074
Beneficial interest in perpetual trust	<u>223,937</u>	<u>-</u>	<u>-</u>	<u>223,937</u>
Total	<u>\$ 3,444,055</u>	<u>\$ 2,501,803</u>	<u>\$ 30,241</u>	<u>\$ 912,011</u>

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

For assets falling within Level 3 in the fair value hierarchy, the activity recognized during the year ended December 31, 2016 is as follows:

Beneficial interest in trusts, beginning of year	\$ 902,696
Change in value of beneficial interest in trusts	43,583
Distribution to Library	<u>(34,268)</u>
Beneficial interest in trusts, end of year	<u>\$ 912,011</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, 2016.

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

Cash and cash equivalents, 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.

4. Land, Buildings, and Equipment, Net

Land, buildings, and equipment consist of the following at December 31, 2016:

Land	\$ 140,327
Land improvements	36,940
Buildings	8,460,403
Furnishings and equipment	1,403,237
Vehicles	<u>315,214</u>
Total	10,356,121
Less accumulated depreciation	<u>4,396,762</u>
Land, building, and equipment, net	<u>\$ 5,959,359</u>

Depreciation expense for the year ended December 31, 2016 was \$278,105.

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

5. Endowment Fund

At December 31, 2016, 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 permanently restricted net assets (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, if any, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as either temporarily restricted or unrestricted net assets 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, 2016, 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%) to achieve its long-term return objectives within prudent risk constraints.

The James V. Brown Library of
Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

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 temporarily or permanently restricted funds.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	\$ -	\$ -	\$ 321,000	\$ 321,000
Board designated endowments	2,211,044	-	-	2,211,044
Total	\$ 2,211,044	\$ -	\$ 321,000	\$ 2,532,044

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,574,643	\$ 11,631	\$ 321,000	\$ 1,907,274
Transfers	460,000	-	-	460,000
Distributions	(66,000)	-	-	(66,000)
Fees	(15,594)	-	-	(15,594)
Released from restrictions	11,631	(11,631)	-	-
Investment return:				
Interest and dividend income	77,698	-	-	77,698
Net appreciation (realized and unrealized)	168,666	-	-	168,666
Total investment return	246,364	-	-	246,364
Increase in endowment assets	636,400	(11,631)	-	624,770

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

Endowment net assets,

end of year	<u>\$ 2,211,044</u>	<u>\$ -</u>	<u>\$ 321,000</u>	<u>\$ 2,532,044</u>
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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, 2016.

6. Pension Plan

The Library sponsors a 403(b) 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 \$32,901 in 2016.

7. Board Designated Net Assets

Board-designated net assets are available for the following purposes as of December 31, 2016:

Investments	\$ 2,211,044
Cash - capital improvements	187,307
Cash - vehicle replacement	<u>52,563</u>
Total	<u>\$ 2,450,914</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2016:

Beneficial interest in private trust - books/materials	\$ 688,074
Contributions - maintenance of art collection/Rotunda/continuing education of staff/ Pa history collection	222,945
Cash - vehicle replacement	105,564
Cash - capital improvements	<u>50,000</u>
Total	<u>\$ 1,066,583</u>

The James V. Brown Library of Williamsport and Lycoming County

Notes to Financial Statements
December 31, 2016

9. Permanently Restricted Net Assets

Permanently restricted net assets are available for the following purposes as of December 31, 2016:

Investments - James V. Brown endowment	\$ 321,000
Beneficial interest in perpetual trust	<u>223,938</u>
Total	<u>\$ 544,938</u>

10. Concentrations

Credit Risk

As of December 31, 2016, accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Library had \$163,732 on deposit exceeding the federally insured limit as of December 31, 2016.

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.

11. 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 \$1,203,544 in 2016.

**THE JAMES V BROWN LIBRARY
OF WILLIAMSPORT AND LYCOMING COUNTY**

December 31, 2016
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Salaries	\$ 621,057	\$ 513,643	\$ 112,741	\$ 1,247,441
Grant-funded programs	864,949			864,949
Building depreciation	148,472	49,491		197,962
Books	114,318			114,318
Social security taxes	44,339	39,294	8,625	92,257
Health insurance	38,901	42,413	9,063	90,378
Audio-visual	88,836			88,836
Electric	46,314	15,438		61,752
Periodicals and newspapers	50,808			50,808
Programs	47,106			47,106
Vehicle depreciation	41,659			41,659
Equipment depreciation	28,863	9,621		38,484
Special events			35,979	35,979
Repairs and maintenance		33,394		33,394
Employee's retirement plan	14,162	14,117	3,946	32,225
Postage and freight	21,155		7,052	28,207
Professional fees		25,987		25,987
Insurance	19,062	6,354		25,416
Equipment repairs and maintenance	17,477	5,826		23,303
Investment management fees		15,594		15,594
Miscellaneous		13,460		13,460
Telephone		12,214		12,214
Library supplies	10,913			10,913
Training workshops	9,599			9,599
Rental of furniture and equipment	9,040			9,040
Publicity and promotion	3,000		6,035	9,035
Office supplies		8,191		8,191
Purchase of furniture and equipment	0	7,997		7,997
Travel	7,213			7,213
OCLC	6,634			6,634
Technical services	6,405			6,405
Heat	4,202	1,401		5,603
Auto expense - gas and oil	4,509			4,509
Dues and membership		4,498		4,498
Life/Long term Disability insurance	2,070	1,712	376	4,158
Unemployment benefits	2,012	1,664	365	4,042
Meals		3,314		3,314
Auto expense - repairs	3,123			3,123
Water		2,547		2,547
Printing	744		248	992
Total expenses	\$ <u>2,276,943</u>	\$ <u>828,169</u>	\$ <u>184,430</u>	\$ <u>3,289,542</u>

See Notes to Financial Statements

James V. Brown Library of Williamsport and Lycoming County

Schedule of Expenditures of Federal Awards
Year Ended December 31 , 2016

<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, 2016</u>	<u>Total Federal Revenues</u>	<u>Total Federal Expenditures</u>	<u>Accrued (Deferred) Revenue at December 31, 2016</u>	<u>Amounts Passed Through to Subrecipients</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	FC41000870654	10/01/15--9/30/16	\$ 161,150	\$ 161,150	\$ 2,319	\$ 158,831	\$ 158,831	\$ -	\$ -
PA One Book Program	45.310	FC4100073369	10/01/16--9/30/17	158,950	135,107	-	4,145	4,145	(130,962)	-
Cruise Into Kindergarten	45.310	FC4100070481	10/01/15--9/30/16	803,550	803,550	-	803,550	803,550	-	-
Cruise Into Kindergarten	45.310	FC4100073254	10/01/16--9/30/17	427,900	389,000	-	17,971	17,971	(371,029)	-
Trustee Training	45.310	N/A	10/01/15--9/30/16	5,000	5,125	-	5,125	5,125	-	-
STEM Maker Kit	45.310	N/A	10/01/15--9/30/16	3,000	3,000	-	3,000	3,000	-	-
Total Institute of Museum and Library Services and total federal awards					<u>\$ 1,496,932</u>	<u>\$ 2,319</u>	<u>\$ 992,622</u>	<u>\$ 992,622</u>	<u>\$ (501,991)</u>	<u>\$ -</u>

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

Notes to Schedule of Expenditures of Federal Awards
December 31, 2016

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, 2016. 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*. 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***

Board of Trustees
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, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 3, 2018. Our report disclosed that the Library restated its 2016 financial statements to recognize as revenue and expense certain governmental grant funding previously accounted for as agency activity. Our opinion is 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a material weakness.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2016-002.

Library's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Library's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
July 3, 2018

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

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

Report on Compliance for the Major Federal Program

We have audited 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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on the major federal program is not modified with respect to this matter.

The Library's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Library's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a material weakness.

The Library's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Library's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
August 31, 2018

James V. Brown Library of Williamsport and Lycoming County

Schedule of Findings and Questioned Costs

Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 X yes no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X 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)?

 X yes 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

James V. Brown Library of Williamsport and Lycoming County

Schedule of Findings and Questioned Costs

Year Ended December 31, 2016

Section II - Financial Statement Findings

2016-001 Internal Control over Financial Reporting - Restatement of 2016 Financial Statements - Material Weakness

Criteria: The James V. Brown Library of Williamsport and Lycoming County ("Library") prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition/Context: The Library restated its 2016 financial statements to recognize, as revenue and expense, certain governmental grant funding it had previously accounted for as agency fund activity (i.e., assets held in a custodial role).

Specifically, the Library concluded, in consultation with the Pennsylvania Department of Education, Office of Commonwealth Libraries ("PDE"), that certain resources provided by PDE to the Library should be recognized as non-exchange transactions (i.e., revenue, along with an offsetting expense) in the Library's statement of activities.

Effect: While the effect of this restatement had no impact on the Library's overall change in net assets for 2016, \$533,840 was reclassified from an agency payable liability to deferred revenue at December 31, 2016 in the accompanying statement of financial position; also, intergovernmental grants were increased in the amount of \$952,649, along with a corresponding increase in program services within the 2016 statement of activities.

Cause: The Library understood its role in these programs to be that of a contractor (i.e., fiscal agent), as opposed to that of a subrecipient. The Library noted that key responsibilities indicative of a subrecipient arrangement (e.g., determination of eligibility, programmatic decision-making, performance measurement, and programmatic control and direction) resided with PDE. While the Library believes the judgment it used in evaluating the quantitative and qualitative aspects of these arrangements was sound, it respectfully deferred to PDE and agreed to report this activity according to PDE's wishes.

Recommendation: Going forward, we recommend the Library confirm with grantors their expectation of its role in the project (that is, contractor or subrecipient), in any project where the terms and conditions may be unclear.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

James V. Brown Library of Williamsport and Lycoming County

Schedule of Findings and Questioned Costs

Year Ended December 31, 2016

Section III - Federal Award Findings and Questioned Costs

Finding/Noncompliance

2016-002

CFDA No. 45.310 – Institute of Museum and Library Services; Passed through the Pennsylvania Department of Education, Office of Commonwealth Libraries (“PDE”); Pass-Through Entity Identifying Number: LS-00-15-0039-15, LS-00-16-0039-16.

Criteria:

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), Subpart F, requires that entities that expend greater than \$750,000 in federal awards undergo a Single Audit within 9 months of its fiscal year end.

**Condition/
Context:**

The Library did not have a Single Audit performed within the required timeframe.

Questioned costs:

N/A

Effect:

The Single Audit was not completed within the timeframe required by the Uniform Guidance.

Cause:

The Library understood its role in these programs to be that of a contractor (i.e., fiscal agent), as opposed to that of a subrecipient. The Library noted that key responsibilities indicative of a subrecipient arrangement (e.g., determination of eligibility, programmatic decision-making, performance measurement, and programmatic control and direction) resided with PDE. While the Library believes the judgment it used in evaluating the quantitative and qualitative aspects of these arrangements was sound, it respectfully deferred to PDE and agreed to report this activity according to PDE's wishes.

Recommendation :

Going forward, we recommend the Library confirm with grantors their expectation of its role in the project (that is, contractor or subrecipient), along with any associated audit requirements.

**Views of
Responsible
Officials and
Planned Corrective
Actions:**

See corrective action plan.



James V. Brown Library Corrective Action Plan 2016 Single Audit

James V. Brown Library
Serving Williamsport
& Lycoming County

19 East Fourth Street
Williamsport PA 17701
570-326-0536
www.jvbrown.edu

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Thomas B. Burkholder

Vice-President

Gloria Z. Greevy

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Dr. Timothy S. Bowers
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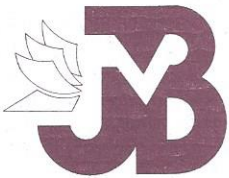
2016-001 Internal Control over Financial Reporting- Restatement of 2016 Financial Statements – Material Weakness

The Library understood its role in these programs to be that of a contractor (i.e., fiscal agent), as opposed to that of a sub recipient. The Library noted that key responsibilities indicative of a sub recipient arrangement (e.g., determination of eligibility, programmatic decision-making, performance measurement, and programmatic control and direction) resided with PDE. While the Library believes the judgment it used in evaluating the quantitative and qualitative aspects of these arrangements was sound, it respectfully deferred to PDE and agreed to report this activity according to PDE's wishes. The Library restated its 2016 financial statements on 8/31/18. For 2016 and going forward the Library will recognize non-exchange transactions (i.e., revenue, along with an offsetting expense) in the Library's statement of activities. The person responsible for the corrective action is Kristin Caringi, CFO.

2016-002 CFDA No. 45.310 Institute of Museum and Library Services; Passed

**Through the PA Department of Education, Office of
Commonwealth Libraries (PDE);**

**Pass-Through Entity Identifying Number: LS-00-15-
0039-15, LS-00-16-0039-16.**



James V. Brown Library
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& Lycoming County

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Trustees

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Treasurer

John M. Confer

Secretary

Trisha Gibbons Marty

Executive Director

Barbara S. McGary

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Guidance, Subpart F, requires that entities that expend greater than \$750,000 in federal awards undergo a single audit within 9 months of its fiscal year end.

The Library understood its role in these programs to be that of a contractor (i.e., fiscal agent), as opposed to that of a sub recipient. The Library noted that key responsibilities indicative of a sub recipient arrangement (e.g., determination of eligibility, programmatic decision-making, performance measurement, and programmatic control and direction) resided with PDE. While the Library believes the judgment it used in evaluating the quantitative and qualitative aspects of these arrangements was sound, it respectfully deferred to PDE and agreed to report this activity according to PDE's wishes. The Library's single audit has been filed as of 8/31/18. Going forward the Library will have the single audit filed within 9 months of its fiscal year end. We will confirm with grantors their expectations of our roles in any projects (are we a contractor or sub recipient) and be aware of any associated audit requirements. The person responsible for this corrective action is Kristin Caringi, CFO.

Dr. Timothy S. Bowers
Hon. Dr. Gabriel J. Campana
Harold D. Hershberger, Jr.
Richard Mirabito
Rev. Kyle Murphy