

BOSLER MEMORIAL LIBRARY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bosler Memorial Library
Carlisle, Pennsylvania

We have audited the accompanying financial statements of Bosler Memorial Library (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2018 and 2017, and the related statements of support and revenue, expenses and other changes in net assets - modified cash basis, statements of functional expenses - modified cash basis and cash flows - modified cash basis 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 the modified cash basis of accounting as described in the notes to financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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.

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Board of Directors
Bosler Memorial Library

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Bosler Memorial Library as of December 31, 2018 and 2017 and its support and revenue, expenses and other changes in net assets and its cash flows for the years then ended, in accordance with the modified cash basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to the *Summary of Significant Accounting Policies* note of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of matter - change in accounting principle

As described in the notes to the financial statements titled *recent accounting standards*, the Library implemented this new accounting guidance, ASU 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.



GREENAWALT & COMPANY, P.C.

March 21, 2019

Mechanicsburg, Pennsylvania

FINANCIAL STATEMENTS

BOSLER MEMORIAL LIBRARY

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 363,733	\$ 399,563
Total current assets	<u>363,733</u>	<u>399,563</u>
Property and equipment - net	<u>6,118,277</u>	<u>6,338,832</u>
Other assets		
Investments - G.B. Stuart Foundation Fund	68,166	58,025
Investments - Board Designated Endowment	1,149,896	1,229,960
Beneficial interest in perpetual trust	168,757	182,941
	<u>1,386,819</u>	<u>1,470,926</u>
Total assets	<u>\$ 7,868,829</u>	<u>\$ 8,209,321</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Payroll withholding and sales tax collected	\$ 2,102	\$ 1,370
Total current liabilities	<u>2,102</u>	<u>1,370</u>
Net assets		
Without donor restrictions	7,567,641	7,922,358
With donor restrictions	299,086	285,593
Total net assets	<u>7,866,727</u>	<u>8,207,951</u>
Total liabilities and net assets	<u>\$ 7,868,829</u>	<u>\$ 8,209,321</u>

See accompanying notes and independent auditor's report

BOSLER MEMORIAL LIBRARY
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES
AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating activities			
Support and revenue			
Governmental support	\$ 788,800	\$ -	\$ 788,800
Contributions	243,688	133,510	377,198
Library operations	76,303	-	76,303
Interest and dividends	3,363	-	3,363
Net assets released from restrictions			
Satisfaction of program restrictions	105,833	(105,833)	-
Total support and revenue	<u>1,217,987</u>	<u>27,677</u>	<u>1,245,664</u>
Expenses			
Program services			
Adult programs	664,291	-	664,291
Juvenile programs	282,226	-	282,226
Reference program	330,499	-	330,499
Total program service	<u>1,277,016</u>	<u>-</u>	<u>1,277,016</u>
Support services			
Fundraising	98,283	-	98,283
Management and general	162,077	-	162,077
Total support services	<u>260,360</u>	<u>-</u>	<u>260,360</u>
Total expenses	<u>1,537,376</u>	<u>-</u>	<u>1,537,376</u>
Changes in net assets from operating activities	(319,389)	27,677	(291,712)
Nonoperating activities			
Investment return, net	(35,328)	(14,184)	(49,512)
Total nonoperating activities	<u>(35,328)</u>	<u>(14,184)</u>	<u>(49,512)</u>
Changes in net assets	(354,717)	13,493	(341,224)
Net assets - January 1, Restated	<u>7,922,358</u>	<u>285,593</u>	<u>8,207,951</u>
Net assets - December 31	<u>\$ 7,567,641</u>	<u>\$ 299,086</u>	<u>\$ 7,866,727</u>

(Continued)

See accompanying notes and independent auditor's report.

BOSLER MEMORIAL LIBRARY
STATEMENTS OF SUPPORT AND REVENUE, EXPENSES
AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS (Cont'd.)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2017		Total
	Without Donor Restrictions	With Donor Restrictions	
Operating activities			
Support and revenue			
Governmental support	\$ 767,015	\$ -	\$ 767,015
Contributions	249,326	112,133	361,459
Library operations	58,602	-	58,602
Interest and dividends	3,739	-	3,739
Net assets released from restrictions			
Satisfaction of program restrictions	118,873	(118,873)	-
Total support and revenue	<u>1,197,555</u>	<u>(6,740)</u>	<u>1,190,815</u>
Expenses			
Program services			
Adult programs	632,603	-	632,603
Juvenile programs	305,926	-	305,926
Reference program	312,457	-	312,457
Total program service	<u>1,250,986</u>	<u>-</u>	<u>1,250,986</u>
Support services			
Fundraising	94,047	-	94,047
Management and general	146,347	-	146,347
Total support services	<u>240,394</u>	<u>-</u>	<u>240,394</u>
Total expenses	<u>1,491,380</u>	<u>-</u>	<u>1,491,380</u>
Changes in net assets from operating activities	(293,825)	(6,740)	(300,565)
Nonoperating activities			
Investment return, net	149,056	20,124	169,180
Total nonoperating activities	<u>149,056</u>	<u>20,124</u>	<u>169,180</u>
Changes in net assets	(144,769)	13,384	(131,385)
Net assets, January 1	<u>8,067,127</u>	<u>272,209</u>	<u>8,339,336</u>
Net assets, December 31	<u>\$ 7,922,358</u>	<u>\$ 285,593</u>	<u>\$ 8,207,951</u>

See accompanying notes and independent auditor's report.

BOSLER MEMORIAL LIBRARY
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018					
	Programs			Fundraising	Administrative and General	Total
	Adult	Juvenile	Reference			
Salaries	\$ 304,855	\$ 154,385	\$ 128,643	\$ 60,807	\$ 87,646	\$ 736,336
Payroll taxes	28,478	14,422	12,017	2,018	8,187	65,122
Employee benefits	17,405	7,613	9,629	3,893	15,115	53,655
Collections	78,153	16,369	65,430	-	-	159,952
Depreciation	112,119	37,977	57,014	10,726	23,748	241,584
Utilities and telephone	30,016	10,167	15,264	2,872	6,358	64,677
Building and grounds maintenance	17,746	6,011	9,024	1,698	3,759	38,238
Insurance	9,595	3,250	4,879	918	2,032	20,674
Professional fees	615	311	259	44	177	1,406
Programs and public relations	26,341	13,155	11,280	-	-	50,776
Accounting and payroll	7,051	3,571	2,975	500	2,027	16,124
Equipment rental and maintenance	6,028	2,042	3,065	577	1,277	12,989
Postage	616	312	260	44	177	1,409
Office expense	13,371	6,771	5,642	948	3,844	30,576
Supplies and collection maintenance	235	117	101	-	-	453
Printing	4,384	2,220	1,850	311	1,260	10,025
Miscellaneous	534	270	225	38	153	1,220
Dues and memberships	893	452	377	63	257	2,042
Travel and conferences	5,126	2,560	2,196	-	-	9,882
Shipping - collections	19	10	8	-	-	37
Bank charges	-	-	-	-	5,909	5,909
Loss on disposal of asset	711	241	361	68	151	1,532
Fundraising - direct costs	-	-	-	12,758	-	12,758
Total functional expenses	\$ 664,291	\$ 282,226	\$ 330,499	\$ 98,283	\$ 162,077	\$ 1,537,376

(Continued)

See accompanying notes and independent auditor's report

BOSLER MEMORIAL LIBRARY
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (Cont'd.)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2017					
	Programs			Fundraising	Administrative and General	Total
	Adult	Juvenile	Reference			
Salaries	\$ 266,568	\$ 160,575	\$ 140,197	\$ 58,533	\$ 75,705	\$ 701,578
Payroll taxes	25,146	15,147	13,225	1,824	7,142	62,484
Employee benefits	18,504	7,591	7,117	3,321	10,913	47,446
Collections	83,102	29,431	29,394	-	-	141,927
Depreciation	128,886	43,656	65,540	12,330	27,299	277,711
Utilities and telephone	29,365	9,947	14,932	2,809	6,220	63,273
Building and grounds maintenance	13,301	4,505	6,764	1,272	2,817	28,659
Insurance	16,517	5,595	8,400	1,580	3,498	35,590
Professional fees	1,014	611	533	74	288	2,520
Programs and public relations	24,592	14,477	12,951	-	-	52,020
Accounting and payroll	6,406	3,859	3,369	465	1,819	15,918
Equipment rental and maintenance	3,781	1,281	1,923	362	801	8,148
Postage	399	240	210	29	113	991
Office expense	10,131	6,103	5,328	735	2,877	25,174
Supplies and collection maintenance	114	68	60	-	-	242
Printing	431	259	227	31	122	1,070
Miscellaneous	1,000	602	526	72	284	2,484
Dues and memberships	840	506	442	61	239	2,088
Travel and conferences	2,458	1,446	1,294	-	-	5,198
Shipping - collections	48	27	25	-	-	100
Bank charges	-	-	-	-	6,210	6,210
Fundraising - direct costs	-	-	-	10,549	-	10,549
Total functional expenses	\$ 632,603	\$ 305,926	\$ 312,457	\$ 94,047	\$ 146,347	\$ 1,491,380

See accompanying notes and independent auditor's report.

BOSLER MEMORIAL LIBRARY
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ (341,224)	\$ (131,385)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	241,584	277,711
Net realized/unrealized (gains) losses on investments and perpetual trusts	105,617	(136,920)
Increase (decrease) in Payroll withholding and sales tax collected	732	33
Net cash provided by operating activities	6,709	9,439
Investing activities		
Purchase of property and equipment	(22,561)	(8,232)
Loss on disposal of asset	1,532	-
Purchase of investments	(30,099)	(58,568)
Proceeds from sale of investments	8,589	15,284
Net cash used in investing activities	(42,539)	(51,516)
Net decrease in cash and cash equivalents	(35,830)	(42,077)
Cash and cash equivalents, beginning of year	399,563	441,640
Cash and cash equivalents, ending of year	\$ 363,733	\$ 399,563

See accompanying notes and independent auditor's report

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Bosler Memorial Library (Library) provides public library service to residents of the Carlisle area. The goal is to provide the broadest possible offering of books and other materials to meet the patrons' needs for information, culture, education and leisure. The Library provides free loans of books, periodicals, spoken cassettes, videos and other library materials. Librarians assist patrons in locating materials to answer reference or information questions, both on-site and via telephone. Inter-library loan service is available to provide patrons materials which are not available on-site. A variety of children's and adult programs are offered to promote reading and learning.

Basis of accounting

The Library's policy is to present its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, in which the amounts are reported according to the existence or absence of donor-imposed restriction. Under this method, revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. The significant modifications to the cash basis of accounting are the capitalization (including recognizing donated fixed assets) and depreciation of property and equipment along with any debt for the acquisition of property and equipment and investments, which are carried at fair market value with the related appreciation or depreciation recognized in the current period and accounted for as revenue or expense.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification. Accordingly, the Library presents its financial position and activities according to three classes of net assets:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Library. These net assets may be used at the discretion of the Library's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Library. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Library's ongoing programs and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments.

Income taxes

The Library is a non-profit organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The standards require an assessment of the Library's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its 501(c)(3) status, potential unrelated business activities and other tax positions that could result in income taxes to the Library upon examinations by taxing authorities. If the Library presented financial statements in accordance with generally accepted accounting principles, any tax benefits associated with uncertain tax positions that are in excess of a realization threshold would be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore believes that the Library has no exposure to the income taxes from uncertain tax positions.

The Library's Federal Exempt Organization Business Income Tax Return (Form 990) for 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Inexhaustible collections and books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them and does not sell these items. Books used in the circulating library have not been capitalized because their estimated useful lives are unable to be reasonably estimated.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and cash equivalents

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

Property and equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at fair value at the date of gift. Assets that cost \$ 1,000 or more and have a useful life greater than one year are capitalized, as are multiple assets whose cost are less than \$ 1,000 but the aggregate requester total is \$ 1,000 or more. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building and capital expansion improvements	10 - 40 years
Land improvements	15 - 20 years
Furniture and equipment	5 - 10 years

Major improvements to property and equipment are capitalized and depreciated over the estimated useful life of the asset. Maintenance and normal repairs are expensed as incurred. When assets are sold, the cost and related accumulated depreciation amounts are removed from the books, with any gain or loss being reflected in the statements of activities. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Investments

The Library reports investments in equity securities with readily determinable fair values and all investment in debt securities at fair values with gains and losses included in the statement of support and revenues, expenses and other changes in net assets.

Contributions and donated materials and services

Support that is restricted by the donor is reported as an increase in net assets - without donor restriction 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. 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 restriction and reported in the statement of revenue collected and expenses as net assets released from restrictions.

BOSLER MEMORIAL LIBRARY
 NOTES TO FINANCIAL STATEMENTS (Cont'd.)
 DECEMBER 31, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Contributions and donated materials and services (Cont'd.)

Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how those long-lived assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or as the assets are used in the Library's activities.

The Library receives substantial services donated by volunteers interested in the programs and services provided by the Library to the community. Because of the difficulty in assigning values for these services, those items are not reflected in these financial statements. However, when the value of substantial or specialized donated services or specific donated materials is ascertainable, they are reflected in the financial statements as support received and expenses paid. Specific materials donated for use in providing library programs are recorded as support and expenses of the Library. Specialized services donated in renovations to the building, if any, are included as support with the expense capitalized as building improvements.

Functional expenses

The costs of providing Library programs and supporting services has been summarized on a functional basis in the statement of support and revenue, expenses and other changes in net assets - modified cash basis. Certain expenses are charged directly to program or supporting services based on specific identification. Indirect expenses have been allocated by management based on reasonable allocation methods.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes	Time and effort
Employee benefits	Time and effort
Depreciation	Square footage
Utilities and telephone	Square footage
Building and ground maintenance	Square footage
Insurance	Square footage
Programs and public relations	Time and effort
Other	Time and effort

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through March 21, 2019, the date the financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENTS

For 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *“Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities”*. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classifications, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment funds. The Library has implemented ASU 2016-14 in the current year. The Library has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The Library restated beginning net assets as a result of this new standard.

ASU 2018-08, *“Topic 958, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made”*, is effective for the Library’s financial statements for the year ending December 31, 2019. The new guidance clarifies what an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958.

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Library’s financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* effective for the Library’s financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

There are other FASB pronouncements that will become effective for future reporting periods. The Library does not currently anticipate any significant impact on the Library’s financial statements from these pronouncements.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

RESTATEMENT OF NET ASSETS/BEGINNING BALANCES

The Library restated its beginning net asset balances as a result of the adoption of ASU 2016-14, *“Not for Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.”* It resulted in the restatement of net assets which were previously classified as restricted to unrestricted - board designated as shown below:

	<u>Restricted</u>	<u>Unrestricted</u>
Net assets as previously reported at December 31, 2017	\$ 301,496	\$ 7,906,455
Implementation of ASU 2016-14	(15,903)	15,903
Net assets as restated at December 31, 2017	\$ 285,593	\$ 7,922,358

PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 84,499	\$ 84,499
Land - West Street	56,700	56,700
Land improvements	20,467	20,467
Building	717,159	717,159
Building - Capital Campaign expansion	6,400,593	6,400,593
Furniture and equipment	268,182	247,121
Furniture and equipment - Capital Campaign expansion	483,880	487,458
	8,031,480	8,013,977
Less accumulated depreciation	(1,913,203)	(1,675,165)
Land, buildings and equipment, net	\$ 6,118,277	\$ 6,338,832

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

DONATED MATERIALS

All materials donated to the Library are recorded at their estimated fair market value when received. Donated materials are included as contributions in the statement of support and revenue, expenses and other changes in net assets and consist of the following at December 31:

	2018	2017
Program services		
Books	\$ 62,522	\$ 18,968
Audiovisual	700	316
Management and general		
Office supplies	3,373	2,458
	\$ 66,595	\$ 21,742

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following at December 31:

	2018	2017
Specific purpose		
Specific books and materials	\$ 27,715	\$ 22,790
Educational and other library programs	34,448	21,837
GB Stuart Foundation restricted fund	68,166	58,025
	130,329	102,652
Beneficial interest in perpetual trust	168,757	182,941
	\$ 299,086	\$ 285,593

NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board has designated the following net assets without donor restrictions balances as of December 31, 2018 and 2017:

	2018	2017
Board designated		
Quasi endowment	\$ 1,149,896	\$ 1,229,960
Capital improvements	91,823	105,687
Operational reserve	177,450	160,765
Technology and computers	31,400	49,063
Staff continuing education	10,080	14,665
Educational and other library programs	8,318	15,903
	\$ 1,468,967	\$ 1,576,043

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

INVESTMENTS

Investments are presented in the financial statements in the aggregate at fair market value at:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market fund	\$ 76,246	\$ 76,246	\$ 92,083	\$ 92,083
Fixed income funds				
Intermediate Term Bond Funds	141,966	140,077	111,635	114,112
Short-term Bond Funds	209,147	203,807	148,571	151,531
Certificates of deposit	125,000	125,000	125,000	125,000
Equities				
Stocks	350,631	409,691	396,213	515,307
Mutual Funds	266,716	263,241	232,471	289,952
Beneficial interest in perpetual trust	137,356	168,757	137,166	182,941
	\$ 1,307,062	\$ 1,386,819	\$ 1,243,139	\$ 1,470,926

The Library's investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is a least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

Investment income consists of the following at December 31, 2018 and 2017:

	2018	2017
Interest	\$ 3,363	\$ 3,739
Investment income	64,512	40,350
Realized gains (losses)	42,221	2,310
Unrealized gains (losses)	(147,839)	134,610
Investment fees	(8,406)	(8,090)
	\$ (46,149)	\$ 172,919

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

INVESTMENTS (Cont'd.)

Endowments

Endowment investments are carried at market value. Realized and unrealized gains and losses are reported in the statement of support and revenue, expenses and other changes in net assets. The total endowment investments maintained by the Library consist of two accounts, the Board Designated Endowment Fund and the G.B. Stuart Foundation Fund, and are classified for net assets purposes as follows at December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
G.B. Stuart Foundation fund	\$ -	\$ 68,166	\$ 68,166
Board designated investment endowment fund	1,149,896	-	1,149,896
Total investment funds	\$ 1,149,896	\$ 68,166	\$ 1,218,062
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
G.B. Stuart Foundation fund	\$ -	\$ 58,025	\$ 58,025
Board designated investment endowment fund	1,229,960	-	1,229,960
Total investment funds	\$ 1,229,960	\$ 58,025	\$ 1,287,985

The Library's investment endowment fund is classified as without donor restrictions, board-designated as of December 31, 2018 and 2017, in the amount of \$ 1,149,896 and \$ 1,229,960, respectively.

The Library's investments, classified as such on the statements of assets, liabilities and net assets, consist of a Board Designated Endowment Fund established for the administration of existing and future gifts and contributions to the Bosler Memorial Library and to memorialize and secure those funds for future benefits of the community. The endowment includes funds designated by the Board of Directors to function as endowments. 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.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

INVESTMENTS (Cont'd.)

Endowments (Cont'd.)

Interpretation of relevant law

The Commonwealth of Pennsylvania has not enacted a version of the UPMIFA, or a version of the Uniform Management of Institutional Funds Act (UPMIFA). Governing law resides in 15 Pa. C.S. §5548 "Investment of Trust Funds". The Library has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The Library classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; 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

Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of assets related to donor-restricted endowment funds averaged over a period of three preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

Return objectives and risk parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to maintain expenditures 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 organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested based on the standards of a "Prudent Man" that is intent to produce results that exceed the standard indices for each investment classification on an annual basis.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, the Library relies 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's investment fund asset mix is invested among equities, fixed income and cash equivalents. The Board has determined as asset mix strategy to improve the probability of achieving enhanced real (inflation protected) rates of return.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

INVESTMENTS (Cont'd.)

Endowments (Cont'd.)

Spending policy

The spending policy of the Library is set to provide, as closely as possible, equitable benefits from the endowment for current and future programs. A spending policy has been adopted to fairly meet programmatic requirements of the endowment. The Library appropriates funds determined on a total return basis, e.g. interest, dividends, and appreciation of the principal. Distributions from principal can be made in whole or in part, by a vote of at least 75% of the Board of Directors of the Library and by supplying the Trustee 90 day's written notice of its intention. The Board must then reaffirm its intention no less than one month and no more than 45 days from the date of the original notice.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as net assets with donor restrictions. There were no such deficiencies as of December 31, 2018 or 2017. Pennsylvania law allows for aggregation of endowments, therefore endowments with deficiencies are netted with gains and accounted for within net assets with donor restrictions.

Changes in investment endowments

Changes in the board designated investment endowment net assets for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment net assets, Beginning of year	\$ 1,229,960	\$ 1,073,942
Investment return		
Interest and dividend income	41,556	32,959
Net realized and unrealized gains and losses	(86,115)	111,762
Investment-related fees	<u>(8,022)</u>	<u>(7,719)</u>
Total investment return	<u>(52,581)</u>	<u>137,002</u>
Board designated transfer	<u>15,100</u>	<u>58,567</u>
Appropriation of endowment assets for expenditure	<u>(42,583)</u>	<u>(39,551)</u>
	<u>\$ 1,149,896</u>	<u>\$ 1,229,960</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018

INVESTMENTS (Cont'd.)

Endowments (Cont'd.)

Changes in investment endowments (Cont'd.)

Changes in donor restricted endowment net assets for the years ended December 31, 2018 and 2017:

	2018	2017
Endowment net assets,		
Beginning of year	\$ 58,025	\$ 53,964
Investment return		
Interest and dividend income	3,167	1,618
Net realized and unrealized gains and losses	(5,320)	5,034
Investment-related fees	(384)	(370)
Total investment return	(2,537)	6,282
Additions - contributions	15,000	-
Distributions	(2,322)	(2,221)
	\$ 68,166	\$ 58,025

BENEFICIAL INTEREST IN PERPETUAL TRUST

The Library is a beneficiary of the Samuel C. Hertzler perpetual trust and is entitled to a 1/8 interest in the income of the trust to be used for work among women. The trust is held by M&T Investment Group with quarterly investment income payments distributed to the Library.

The value of the split-interest trust agreement as of December 31, 2018 and 2017 is \$ 168,757 and \$ 182,941, respectively. These values reflect a net increase/(decrease) of \$ (14,183) and \$ 20,124 for the years ended December 31, 2018 and 2017, respectively. Income received from the split-interest agreements for the years ended December 31, 2018 and 2017 was \$ 4,788 and \$ 5,773, respectively.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018

FAIR VALUE MEASUREMENTS

Fair value accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority to unobservable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets that are recorded at fair value on a recurring basis are investments including the Endowment Fund and split-interest trusts. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and cash equivalents (money market fund) - The carrying amount approximates fair value because of the short-term nature of these investments.

Certificates of deposit - The carrying amount approximates fair value because of the short-term nature of these investments.

Common stock, mutual funds and fixed income funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interest in perpetual and remainder trusts: Fair value of this trust held by a third party generally consists of mutual funds and equities that are held and administered by financial institutions and management has no control over these investments. They are therefore considered level 2 investments since they are reported at the Organization's proportionate share of the net asset value of the underlying investments in the trust.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018

FAIR VALUE MEASUREMENTS (Cont'd.)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of years ended December 31, 2018 and 2017:

	2018			
	Total	Level 1	Level 2	Level 3
Money market fund	\$ 76,246	\$ 76,246	\$ -	\$ -
Fixed income funds				
Intermediate Term Bond Funds	140,077	140,077	-	-
Short-term Bond Funds	203,807	203,807	-	-
Certificates of deposit	125,000	-	125,000	-
	<u>468,884</u>	<u>343,884</u>	<u>125,000</u>	<u>-</u>
Equities				
Stocks	409,691	409,691	-	-
Mutual Funds	263,241	263,241	-	-
	<u>672,932</u>	<u>672,932</u>	<u>-</u>	<u>-</u>
Beneficial interest in perpetual trust	168,757	-	168,757	-
Total	<u>\$ 1,386,819</u>	<u>\$ 1,093,062</u>	<u>\$ 293,757</u>	<u>\$ -</u>
	2017			
	Total	Level 1	Level 2	Level 3
Money market fund	\$ 92,083	\$ 92,083	\$ -	\$ -
Fixed income funds				
Intermediate Term Bond Funds	114,112	114,112	-	-
Short-term Bond Funds	151,531	151,531	-	-
Certificates of deposit	125,000	-	125,000	-
	<u>390,643</u>	<u>265,643</u>	<u>125,000</u>	<u>-</u>
Equities				
Stocks	515,307	515,307	-	-
Mutual Funds	289,952	289,952	-	-
	<u>805,259</u>	<u>805,259</u>	<u>-</u>	<u>-</u>
Beneficial interest in perpetual trust	182,941	-	182,941	-
Total	<u>\$ 1,470,926</u>	<u>\$ 1,162,985</u>	<u>\$ 307,941</u>	<u>\$ -</u>

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

CONTINUING OPERATIONS

Continuation of an entity's operations is usually assumed in financial accounting in the absence of evidence to the contrary. However, an operation which depends primarily on support from agencies of the government is always subject to legislative action which could significantly affect the amount of support it receives.

PENSION PLAN

The Library participates in a 403-b Tax Deferred Annuity Plan in conjunction with local non-profit organizations. This contributory Plan covers all employees who meet the minimum wage and service requirements. The Library expenses its contributions as paid. The Library contributes an amount equal to 2% of each permanent employee's annual salary after one year. Pension expense was \$ 7,880 and \$ 8,442 for December 31, 2018 and 2017, respectively.

CONCENTRATION OF CREDIT RISK

The Library maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. As of December 31, 2018 and 2017, the uninsured cash balances were \$ 139,123 and \$ 159,017, respectively.

LEASE COMMITMENTS

In 2018, the Library entered into a four-year lease agreement for a copier machine with monthly lease payments of \$ 270.

The following table summarizes future lease payments required:

2019	\$	3,239
2020		3,239
2021		810

Total lease payments for the years ended December 31, 2018 and 2017 were \$ 3,239 and \$ 3,049, respectively.

BOSLER MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
DECEMBER 31, 2018 AND 2017

AVAILABILITY AND LIQUIDITY

The following represents the Library's financial assets available for expenses within one year of the statements of support and revenue, expenses and other changes in net assets - modified cash basis at December 31, 2018:

Cash and cash equivalents	\$ 363,733
Investments - GB Stuart Foundation	68,166
Investments - Board Designated Quasi-Endowment	1,149,896
Beneficial interest in perpetual trust	<u>168,757</u>
 Total financial assets	 <u>1,750,552</u>
 Less amounts not available to be used within one year	
Net assets with donor restrictions	(299,086)
Less net assets with purpose restrictions to be met in less than a year	
Board Designated Quasi-Endowment	<u>(1,149,896)</u>
	<u>(1,448,982)</u>
 Financial assets available to meet general expenses within one year	 <u>\$ 301,570</u>

In accordance with the Library's Investment Policy, cash and cash equivalents are to be maintained at 5% of the Library's investment funds, as determined annually, in order to maintain liquidity for Board of Director designated funding. Additionally, as part of its liquidity plan, the Library maintains an Operational Reserve Fund consisting of cash or cash equivalents outside of the Library's investment funds.