

SCRANTON PUBLIC LIBRARY

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021
AND
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTARY INFORMATION**

SCRANTON PUBLIC LIBRARY

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To the Board of Directors
Lackawanna County Library Board and
The Board of the Scranton Public Library

Independent Auditors' Report on the Audit of the Financial Statements

Auditor's Opinion

We have audited the accompanying financial statements of the Scranton Public Library (the Library), which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2022 and 2021, and the related statements of support, revenues and expenses – modified cash basis, and the statements of functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of the Scranton Public Library as of December 31, 2022 and 2021, and the changes in its net assets – modified cash basis for the years then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with, as described in Note 1, the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

Emphasis on Matters

As discussed in Note 1 to the financial statements, during the year ended December 31, 2022 the Library adopted new accounting guidance with respect to a pronouncement from the Financial Accounting Standards Board (FASB). Our opinion is not modified with respect to the adoption of this pronouncement.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of working capital 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 audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023 on our consideration of the Scranton Public 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 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 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 Scranton Public Library's internal control over financial reporting and compliance.

Burtie Mitchell, LLC

Dunmore, Pennsylvania
February 7, 2023

SCRANTON PUBLIC LIBRARY

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENTS ASSETS:		
Cash	\$1,033,357	\$ 919,539
Prepaid expenses	79,540	65,035
Short-term investments	75,036	-
Total current assets	<u>1,187,933</u>	<u>984,574</u>
PROPERTY, FURNISHINGS AND COLLECTIONS, NET	<u>2,381,950</u>	<u>2,403,627</u>
OTHER ASSETS:		
Security deposit	500	500
Long-term investments	743,013	932,181
Endowment funds	115,553	141,981
Total other assets	<u>859,066</u>	<u>1,074,662</u>
TOTAL ASSETS	<u>\$4,428,949</u>	<u>\$4,462,863</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 25,327	\$ 24,560
Payroll withholdings payable	16,274	17,507
Sales tax payable	1,061	1,316
Deferred accounts	582,219	454,706
Total current liabilities	<u>624,881</u>	<u>498,089</u>
LONG-TERM LIABILITIES:		
Long-term debt	<u>387,296</u>	<u>411,216</u>
TOTAL LIABILITIES	<u>1,012,177</u>	<u>909,305</u>
NET ASSETS:		
Without donor restrictions	3,301,219	3,411,577
With donor restrictions	115,553	141,981
Total	<u>3,416,772</u>	<u>3,553,558</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,428,949</u>	<u>\$4,462,863</u>

See accompanying notes.

SCRANTON PUBLIC LIBRARY

STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total
SUPPORT, REVENUES AND RECLASSIFICATIONS:			
General state aid	\$ 461,879	\$ -	\$ 461,8
DLC aid	312,221	-	312,2
County coordination aid	272,000	-	272,0
Local government revenue	1,419,525	-	1,419,5
Investment return	(155,009)	(19,878)	(174,8
Fundraising and monetary donations	417,365	-	417,3
Grants	58,620	-	58,6
PPP grant income	-	-	-
Fine, fees and other library generated revenue	60,072	-	60,0
Technology and technical service income	465,487	-	465,4
Miscellaneous income	4,773	-	4,7
Transfers	6,550	(6,550)	-
Total	<u>3,323,483</u>	<u>(26,428)</u>	<u>3,297,0</u>
EXPENSES:			
Program services	2,624,642	-	2,624,6
Management and general	674,510	-	674,5
Fundraising	134,689	-	134,6
Total	<u>3,433,841</u>	<u>-</u>	<u>3,433,8</u>
CHANGES IN NET ASSETS	(110,358)	(26,428)	(136,7
NET ASSETS - BEGINNING	<u>3,411,577</u>	<u>141,981</u>	<u>3,553,5</u>
NET ASSETS - ENDING	<u>\$ 3,301,219</u>	<u>\$ 115,553</u>	<u>\$ 3,416,7</u>

See accompanying notes.

SCRANTON PUBLIC LIBRARY

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Program Services	Management and General	Fund Raising	2 1
SALARY AND WAGE EXPENDITURES	\$ 1,487,093	\$ 267,826	\$ -	\$ 1,
BENEFIT EXPENDITURES:				
Payroll taxes	123,629	21,553	-	
Health insurance	205,070	33,294	-	
Pension benefits	53,992	13,553	-	
Disability and Life insurance	6,517	2,406	-	
Other benefits	1,101	-	-	
Worker's Compensation insurance	7,419	1,336	-	
SERIALS	9,613	-	-	
ELECTRONIC MATERIALS	124,673	-	-	
LIBRARY SUPPLIES	101,840	-	-	
FURNITURE AND EQUIPMENT	-	1,435	-	
INTEREST EXPENSE	-	14,170	-	
COMPUTERS AND SOFTWARE	164,814	-	-	
MAINTENANCE:				
Equipment maintenance	-	11,120	-	
Maintenance supplies	-	10,858	-	
Buildings and Grounds maintenance	-	44,099	-	
Vehicle expense	-	9,416	-	
Delivery vehicle expense	-	14,831	-	
Bookmobile expense	-	7,588	-	
INSURANCE	-	47,028	-	
UTILITIES	-	48,342	-	
POSTAGE	-	16,934	-	
OFFICE SUPPLIES:				
Copier expense	9,692	-	-	
Office supplies	-	3,902	-	
TELEPHONE	-	51,957	-	
PUBLIC RELATIONS AND LIBRARY PROGRAMS	11,631	-	-	
CONTRACTED SERVICES	-	36,030	-	
TRAINING, TRAVEL AND CONFERENCES	7,600	-	-	
DUES AND MEMBERSHIPS	5,559	-	-	
RENT EXPENSE	19,200	-	-	
FUNDRAISING COSTS	-	-	134,689	
TRUST FEES	-	10,939	-	
DEPRECIATION	285,199	5,893	-	
TOTAL	\$ 2,624,642	\$ 674,510	\$ 134,689	\$ 3,

See accompanying notes.

SCRANTON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION:

The Scranton Public Library (the "Library") is a non-membership Pennsylvania Not-For-Profit corporation that is exempt from tax under Section 501(c)(3) of the Internal Revenue Code of 1986. The Library has been classified as other than a private foundation.

BASIS OF ACCOUNTING:

The financial statements have been prepared using a modified cash basis method of accounting. Provision has not been made for accounts receivable, payable or accrued expenses. Deferred revenues have been recorded when appropriate. Certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

BASIS OF PRESENTATION:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Library uses the following classification to distinguish among restrictions:

Net Assets without Donor Restrictions:

Net assets without donor restrictions include all contributions received without donor restrictions, and all revenue and expenses. Net asset without donor restrictions include both undesignated and board designated funds.

Undesignated net assets without donor restrictions may be used at the discretion of management to support the mission of the Library and consist of net assets accumulated from the results of operations.

Board designated net assets without donor restrictions are subject to self-imposed limits by action of the governing board. Board designated net assets may be earmarked for future programs, investments, contingencies, purchase or construction of fixed assets, or other uses.

Net Assets with Donor Restrictions:

Net assets with donor restrictions include contributions that have donor-imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

COMPARATIVE FINANCIAL INFORMATION:

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Library's financial statements as of and for the year ended December 31, 2021, from which the summarized information was derived.

FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, which is determined by management.

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

USE OF ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis method of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SUPPORT AND REVENUE:

Contributions of cash and other assets and grants are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of support, revenues and expenses as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution or grant is received, the Library reports the support as net assets without donor restrictions.

Endowment contributions and investments are net assets with donor restrictions. Investment earnings that are available to be distributed are recorded net assets without donor restrictions support.

CASH AND CASH EQUIVALENTS:

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

PROPERTY, FURNISHINGS AND COLLECTIONS:

Leasehold improvements, significant expenditures for equipment and furnishings and collections of books, videos and audio materials are stated at cost or market value at the time of donation. Insignificant expenditures for equipment and furnishings or repairs are expensed at the time of purchase. Depreciation has been provided on general fixed assets using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Life</u>
Leasehold improvements	5-50 Years
Bookmobile	10 Years
Transportation equipment	5 Years
Furniture and equipment	5 Years

INVESTMENTS:

The Library has adopted FASB (Financial Accounting Standards Board) ASC 958-320-50-1, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 958-320-50-1, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of assets, liabilities and net assets – modified cash basis. Unrealized gains and losses are included in the change in net assets. Investment income and gains from assets restricted by a donor are reported as increases in net assets without donor restrictions, if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INCOME TAXES:

The Library qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and has received a determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes except for taxes on unrelated business income.

The Library adopted previously deferred guidance related to uncertain tax positions. FASB ASC 740-10 and related subsections prescribes rules for recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Library's tax returns. As a result of implementing this guidance, management has determined that the Library does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements and related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Library's tax returns will not be challenged by the taxing authorities and that the Library will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Library's tax returns remain open for federal income tax examination for three years from the date of filing.

DONATED FACILITIES

The Scranton Public Library Authority, a governmental body created by the city of Scranton, provides the Library with its facilities located at 500 Vine Street, Scranton, Pennsylvania, 1032 Green Ridge Street, Scranton, Pennsylvania and 2006 North Main Avenue, Scranton, Pennsylvania, at a nominal rent of \$1 per year. Under the modified cash basis of accounting, no recognition of rent revenue and rent expense from this arrangement is required.

NEW ACCOUNTING STANDARDS:

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), as amended. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease right-of-use assets and lease liabilities, initially measured at the present value of the lease payments, on the statement of assets, liabilities and net assets – modified cash basis for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of support, revenues and expenses – modified cash basis. The new standard is effective for 2022. The Library has evaluated the new lease standard and determined that the standard does not materially impact its financial statements.

DATE OF MANAGEMENT EVALUATION:

Management has evaluated subsequent events through February 7, 2023, the date on which the financial statements were available to be issued and other than the final determination of the impact of the Covid-19 pandemic, no subsequent events have been determined to have an effect on the financial statements as presented (See Note 17).

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - LACKAWANNA COUNTY LIBRARY BOARD - ALLOCATION:

Pursuant to a 1982 referendum vote in Lackawanna County, an authorized levy of special taxes on County real estate assessed valuations was instituted. For 2021 and 2020, this millage was 2.82 mills. This levy is in accordance with Articles 401 and 411 of the Commonwealth of Pennsylvania Library Code. Within Lackawanna County, the monies collected from this levy are to be used for the exclusive purpose of the establishment and/or maintenance of local libraries and library services.

In conjunction with the authorized special levy, the Commissioners of Lackawanna County named a Board of Directors to establish, develop, and maintain library services within the County and to exercise control and afford direction to the disbursements of appropriated monies.

Seven (7) member libraries, one of which is the Scranton Public Library, are now members of the Lackawanna County Library System, availing themselves of the funding and services of this County Library Board.

The 2022 and 2021 allocation to Scranton Public Library consisted of the following:

	<u>2022</u>	<u>2021</u>
County:		
Operating funds	\$ 1,332,155	\$ 1,344,968
Bookmobile allocation	87,370	85,658
Technology allocation	-	36,289
Sub-total	<u>1,419,525</u>	<u>1,466,915</u>
State:		
General state aid	461,879	461,879
County coordination aid	272,000	272,000
Sub-total	<u>733,879</u>	<u>733,879</u>
Total	<u>\$ 2,153,404</u>	<u>\$ 2,200,794</u>

NOTE 3 - PROPERTY, FURNISHINGS AND COLLECTIONS:

The changes in property, furnishings and collections and their related accumulated depreciation amounts are reflected below:

	<u>Assets</u>			<u>Balance</u> <u>12/31/22</u>	<u>Balance</u> <u>1/1/22</u>	<u>Accumulated Depreciation</u>		<u>Balance</u> <u>12/31/22</u>	<u>Net Book</u> <u>Value</u>
	<u>Balance</u> <u>1/1/22</u>	<u>Additions</u>	<u>Deletions</u>			<u>2022</u> <u>Expense</u>	<u>Deletions</u>		
Leasehold Improvements	\$ 3,003,181	\$ 32,454	\$ -	\$ 3,035,635	\$ 1,069,787	\$ 58,933	\$ -	\$ 1,128,720	\$ 1,906,915
Bookmobile	211,179	-	-	211,179	211,179	-	-	211,179	-
Transportation Equipment	92,483	-	-	92,483	47,854	13,159	-	61,013	31,470
Furniture & Equipment	389,456	-	-	389,456	326,228	23,802	-	350,030	39,426
Collections	1,184,746	236,961	(239,165)	1,182,542	822,370	195,198	(239,165)	778,403	404,139
Total	<u>\$ 4,881,045</u>	<u>\$ 269,415</u>	<u>\$ (239,165)</u>	<u>\$ 4,911,295</u>	<u>\$ 2,477,418</u>	<u>\$ 291,092</u>	<u>\$ (239,165)</u>	<u>\$ 2,529,345</u>	<u>\$ 2,381,950</u>

Depreciation expense totaled \$291,092 and \$286,328 for 2022 and 2021, respectively.

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 - INVESTMENTS:

The Library held the following investments at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Short-Term: Certificate of Deposit	\$ 75,036	\$ -
Long-Term: Mutual Funds	<u>743,013</u>	<u>932,181</u>
Total	<u>\$ 818,049</u>	<u>\$ 932,181</u>

Short-term and long-term investments are stated at fair value. Fair values and unrealized appreciation (depreciation) at December 31, 2022 and 2021 are summarized as follows:

	<u>2022</u>	Fair Value	Unrealized (Depreciation)
	<u>Cost</u>		
Investments without donor restriction -			
Board designated	\$ 896,360	\$ 818,049	\$ (78,311)
Total	<u>\$ 896,360</u>	<u>\$ 818,049</u>	<u>\$ (78,311)</u>
	<u>2021</u>	Fair Value	Unrealized Appreciation
	<u>Cost</u>		
Investments without donor restriction -			
Board designated	\$ 816,942	\$ 932,181	\$ 115,239
Total	<u>\$ 816,942</u>	<u>\$ 932,181</u>	<u>\$ 115,239</u>

The following schedule summarizes the investment return and the classification in the statement of activities for the years ended:

	<u>2022</u>		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 32,534	\$ -	\$ 32,534
Net realized and unrealized losses	<u>(187,543)</u>	<u>(19,878)</u>	<u>(207,421)</u>
Total investment return	<u>\$ (155,009)</u>	<u>\$ (19,878)</u>	<u>\$ (174,887)</u>
	<u>2021</u>		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Interest and dividend income	\$ 63,564	\$ -	\$ 63,564
Net realized and unrealized gains	<u>42,946</u>	<u>22,540</u>	<u>65,486</u>
Total investment return	<u>\$ 106,510</u>	<u>\$ 22,540</u>	<u>\$ 129,050</u>

(continued)

SCRANTON PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 5 - FAIR VALUE MEASUREMENTS:

FASB ASC No. 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques 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 and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly and Level 3 unobservable inputs in which there is little or no market data, which requires the Library to develop its own assumptions. The Library uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Library measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the fair value measurement of assets recognized in the accompanying statements of assets, liabilities and net assets – modified cash basis measured at fair value on a recurring basis and the level within the FASB ASC No. 820 fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

	<u>December 31, 2022</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Certificate of Deposit	\$ 75,036	\$ 75,036	\$ -	\$ -
Mutual funds	<u>743,013</u>	<u>743,013</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 818,049</u>	<u>\$ 818,049</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment funds held by others	<u>\$ 115,553</u>	<u>\$ -</u>	<u>\$ 115,553</u>	<u>\$ -</u>
	<u>December 31, 2021</u>			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments:				
Mutual funds	<u>\$ 932,181</u>	<u>\$ 932,181</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment funds held by others	<u>\$ 141,981</u>	<u>\$ -</u>	<u>\$ 141,981</u>	<u>\$ -</u>

(continued)

SCRANTON PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 6 – ENDOWMENT FUNDS

The Library’s board, in prior years, established permanent agency endowment funds under the control of a public community foundation. As such, the public community foundation exercises complete control over the funds’ investment policy and has final authority and control over all property held in the funds, and the income derived therefrom. The funds are the property of the public community foundation and are not deemed to be trust funds held by it as a trustee. The Library receives distributions from the funds in support of its mission.

The established funds are as follows:

1. The Scranton Public Library Memorial Fund:
 The income derived from this fund can be used for the general purposes of the Library.
2. The Marion Isaacs Fund:
 The income derived from this fund can be used for purchasing children’s books for the Library.

Although the Commonwealth of Pennsylvania has not enacted a state law following the Uniform Prudent Management of Institutional Funds Act, the Library follows the applicable provisions in regard to its establishment of an endowment fund. The applicable provisions require a preservation of the fair value of the original gift as of the gift date. As a result of this interpretation, 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 gift instrument at the time the accumulation is added to the fund.

The endowment net asset composition is as follows for the years ended December 31, 2022 and 2021:

	December 31, 2022		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
The Scranton Public Library Memorial Fund	\$ -	\$ 101,545	\$ 101,545
The Marion Isaacs Fund	-	14,008	14,008
Total	<u>\$ -</u>	<u>\$ 115,553</u>	<u>\$ 115,553</u>

	December 31, 2021		
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
The Scranton Public Library Memorial Fund	\$ -	\$ 124,241	\$ 124,241
The Marion Isaacs Fund	-	17,740	17,740
Total	<u>\$ -</u>	<u>\$ 141,981</u>	<u>\$ 141,981</u>

(continued)

SCRANTON PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 6 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	\$ 125,362	\$ 125,362
Additional contributions	-	3,590	3,590
Investment return:			
Realized and unrealized gains and losses	-	18,992	18,992
Fund earnings	-	1,843	1,843
Investment fees	-	(632)	(632)
Administrative fees	-	(1,254)	(1,254)
Distributions	-	(5,920)	(5,920)
	<hr/>	<hr/>	<hr/>
Endowment net assets, December 31, 2021	-	141,981	141,981
Additional contributions	-	3,122	3,122
Investment return:			
Realized and unrealized gains and losses	-	(23,098)	(23,098)
Fund earnings	-	2,080	2,080
Investment fees	-	(562)	(562)
Administrative fees	-	(1,420)	(1,420)
Distributions	-	(6,550)	(6,550)
	<hr/>	<hr/>	<hr/>
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 115,553</u>	<u>\$ 115,553</u>

(continued)

SCRANTON PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 7 - LINE OF CREDIT:

The library has in place with a local financial institution a line of credit in the amount of \$100,000. The line carries a variable interest rate set at the national prime rate. The line is secured by the annual funding from the Commonwealth of Pennsylvania. There is no specific expiration date. The line of credit can be terminated at the request of either the Library or the financial institution. The line was fully available on December 31, 2022.

NOTE 8 - LONG-TERM DEBT:

Long-term debt consists of the following on December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
3.44% Note payable to a local bank. Monthly installments of \$249, including principal and interest, to maturity in 2025. Secured by vehicle.	\$ 6,228	\$ 8,949
3.25% \$500,000 Term Note payable to a local bank. Nine monthly installments of interest only, followed by Nineteen semi-annual installments of \$17,167, including principal and interest, with a balloon payment at maturity in 2028. Secured by library brokerage account assets.	<u>406,395</u>	<u>426,827</u>
Total	412,623	435,776
Less: Current Portion	<u>25,327</u>	<u>24,560</u>
Net Long-Term	<u>\$ 387,296</u>	<u>\$ 411,216</u>

Schedule of Maturities of Long-Term Debt on December 31, 2022:

2023	\$ 25,327
2024	26,163
2025	24,499
2026	24,794
2027	25,606
Thereafter	<u>286,234</u>
Total	<u>\$ 412,623</u>

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 – SBA PAYCHECK PROTECTION PROGRAM LOAN:

In February 2021, pursuant to the Federal Small Business Administration’s Paycheck Protection Program, Second Phase, the Library applied for, and was provided a loan in the amount of \$364,498, made available through a local bank. The Program is to afford financial assistance during the period of financial stress caused by the global pandemic related to the coronavirus, Covid-19. The Library’s loan is to be forgiven and considered a grant upon the Library providing documentation supporting the specific purposes for which the financial assistance was given (employee payroll and related expenses). The Library had satisfied the eligibility and loan forgiveness requirements in the amount of \$364,498, and the loan was forgiven in September 2021. This forgiveness has been classified as grant support for the year-ended December 31, 2021.

Had the loan forgiveness requirements not been met, any unforgiven balance would be payable at an annual interest rate of 1.0%, with a final maturity of July 2022.

NOTE 10 - DEFERRED ACCOUNTS

This consists of various revenues which were received by the Library to be expended for specific purposes but were not disbursed by December 31, 2022 or 2021. The items which make up the deferred accounts are as follows:

	<u>2022</u>	<u>2021</u>
District Library Center Revenue	\$ 175,764	\$ 144,765
Lackawanna County Operating Revenue	210,000	215,000
Lackawanna County Special Revenue	<u>196,455</u>	<u>94,941</u>
 Total	 <u>\$ 582,219</u>	 <u>\$ 454,706</u>

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED:

Net assets without donor restrictions – board designated are as follows:

Wells Fargo Trust Account - This is an account combining various donor contributions which have accumulated since the Library's inception. The income derived from investor funds is distributable according to board restrictions for the improvement and upkeep of the main library facility. Any remaining income is to be reinvested and become part of the principal. This account collateralizes the Library’s loan to the extent of 75% of the outstanding loan balance. This account totaled \$743,013 and \$932,181 on December 31, 2022 and 2021, respectively.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

Endowment funds as described in Note 6 – These funds totaled \$115,553 and \$141,981 on December 31, 2022 and 2021, respectively.

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 - CONCENTRATIONS OF CREDIT RISK:

The Library maintains cash balances at several financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum aggregate amount per depositor of \$250,000. Balances in excess of the FDIC coverage are not insured. At December 31, 2022 and 2021, the Library's uninsured cash balances totaled \$106,822 and \$228,472, respectively.

Approximately Forty-Two Percent (42%) of the Library's labor force are members of, or are eligible to belong to, the Pennsylvania Social Services Union, Local 668 Service Employees International Union. The Library's current labor contract covers a three year period ending December 31, 2024.

NOTE 14 - OPERATING LEASE:

The Library leases its Marketplace at Steamtown facility under an operating lease whose term commenced May 1, 2020 and expires April 30, 2024. Rent expense under the current lease agreement was \$19,200 for 2022.

Future minimum rent payments under the current lease arrangement are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2023	\$ 19,200
2024	19,200
2025	<u>6,400</u>
Total	<u>\$ 44,800</u>

There are no sub-lease agreements.

NOTE 15 - PENSION:

The Library maintains a pension plan with deferral provisions under §403(b) of the Internal Revenue Code covering all eligible employees. Employer contributions were \$67,545 and \$68,527 for 2022 and 2021, respectively.

(continued)

SCRANTON PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Library has \$4,475,236 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. These assets consist of cash of \$1,033,357, a line of credit available in the amount of \$100,000, state aid of \$461,879, DLC aid of \$328,000, county coordination aid of \$272,000, local government revenue of \$1,420,000, grant revenue of \$60,000, expected net fund-raising proceeds of \$280,000 and expected library generated revenues of \$520,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Library has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$290,000 per month. The Library has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Library's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2022</u>
Cash and cash equivalents	\$ 1,033,357
Line of credit available	<u>100,000</u>
Assets on hand at year end available for liquidity purposes	1,133,357
Anticipated state aid	461,879
Anticipated DLC aid	328,000
Anticipated county coordination aid	272,000
Anticipated local government revenue	1,420,000
Anticipated grant revenue	60,000
Expected net fund raising proceeds	280,000
Expected library generated revenues	<u>520,000</u>
Financial assets available within one year of December 31, 2022	<u>\$ 4,475,236</u>

NOTE 17 -IMPACT OF COVID-19 CORONAVIRUS:

The long-term impact of the Covid-19 coronavirus pandemic cannot be determined; however, in the near-term, the Library continues to operate in accord with its mission and has not suffered from a substantive reduction in funding from grant sources. Additionally, considering the liquidity of the Library (refer to Note 16), there does not appear to be concern for curtailment of services through the next year. Accordingly, the financial condition and results of operations for the year ended December 31, 2022 have not been adjusted to reflect any possible impact.

(concluded)

SCRANTON PUBLIC LIBRARY

SCHEDULES OF OPERATING WORKING CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING WORKING CAPITAL - BEGINNING - LOCAL	\$ -	\$ -
OPERATING WORKING CAPITAL - BEGINNING - DLC	144,765	-
DLC AID	361,283	308,168
GENERAL STATE AID	461,879	461,879
COUNTY COORDINATION AID	272,000	272,000
LOCAL GOVERNMENT REVENUE	1,419,525	1,466,915
DIVIDEND AND INTEREST REVENUE	198	196
FUNDRAISING AND MONETARY DONATIONS	417,365	263,155
GRANTS	58,620	73,376
PPP GRANT	-	364,498
FINES, FEES AND OTHER LIBRARY GENERATED REVENUE	64,845	65,511
INFORMATION TECHNOLOGY AND TECH SERVICE INCOME	465,487	1,207
TRANSFERS TO OPERATING WORKING CAPITAL	-	227,625
	<u>3,665,967</u>	<u>3,504,530</u>
TOTAL BEGINNING BALANCES AND RECEIPTS		
SALARY AND WAGE EXPENDITURES	1,764,664	1,767,483
BENEFIT EXPENDITURES	477,198	478,263
BOOKS	206,298	164,182
SERIALS	9,613	9,320
AUDIO-VISUAL MATERIALS	30,663	22,468
ELECTRONIC MATERIALS	124,673	122,999
LIBRARY SUPPLIES	101,840	84,540
MAJOR RENOVATIONS AND EQUIPMENT PURCHASES	32,454	-
FURNITURE AND EQUIPMENT	1,435	4,471
COMPUTERS AND SOFTWARE	164,814	154,311
INTEREST PAID ON VEHICLE LOAN	269	823
PRINCIPAL PAID ON VEHICLE LOAN	2,720	16,862
INTEREST PAID ON TERM LOAN	13,901	14,344
PRINCIPAL PAID ON TERM LOAN	20,433	19,777
MAINTENANCE	97,912	114,035
INSURANCE	47,028	45,741
UTILITIES	48,342	42,776
POSTAGE	16,934	16,045
OFFICE SUPPLIES	13,594	11,301
TELEPHONE	51,957	50,331
PUBLIC RELATIONS AND LIBRARY PROGRAMS	11,631	7,341
CONTRACTED SERVICES	36,030	34,427
TRAINING, TRAVEL AND CONFERENCE	7,600	12,260
DUES AND MEMBERSHIPS	5,559	5,786
RENT EXPENSE	19,200	19,200
FUNDRAISING COSTS	134,689	128,255
TRUST FEES	10,939	12,424
TRANSFERS FROM WORKING CAPITAL	37,813	-
	<u>3,490,203</u>	<u>3,359,765</u>
TOTAL DISBURSEMENTS		
OPERATING WORKING CAPITAL - ENDING - LOCAL	\$ -	\$ -
OPERATING WORKING CAPITAL - ENDING - DLC	\$ 175,764	\$ 144,765

See independent auditors' report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To The Directors of the
Lackawanna County Library System and
the Board of the Scranton Public Library

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 Scranton Public Library, which comprise the statements of assets, liabilities and net assets – modified cash basis as of December 31, 2022 and 2021, and the related statements of support, revenues and expenses–modified cash basis and the statements of functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Scranton Public 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 Scranton Public Library’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Scranton Public 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Bartlett McHale, LLC

Dunmore, Pennsylvania
February 7, 2023

