Dauphin County Library System

Financial Statements and Supplementary Information

December 31, 2020 and 2019
### Dauphin County Library System

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December 31, 2020 and 2019

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</tr>
</tbody>
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Independent Auditor's Report

To the Board of Trustees
Dauphin County Library System
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Dauphin County Library System (the Library), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dauphin County Library System as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

June 18, 2021
Harrisburg, Pennsylvania
Dauphin County Library System

Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,013,183</td>
<td>$885,411</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>800,787</td>
<td>656,643</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>510,542</td>
<td>91,230</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>214,547</td>
<td>247,063</td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>14,155,986</td>
<td>14,149,189</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,434,757</td>
<td>1,519,049</td>
</tr>
<tr>
<td>Endowment funds held</td>
<td>3,506,576</td>
<td>3,287,138</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>1,560,480</td>
<td>1,481,147</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$23,196,858</td>
<td>$22,316,870</td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** |       |       |
| **Liabilities**               |       |       |
| Accounts payable              | $416,620 | $313,197 |
| Accrued payroll, vacation, payroll taxes, and withholdings | 273,337 | 372,201 |
| Note payable                  | 666,000  | -     |
| Defined benefit pension plan obligation | 1,907,166 | 1,778,175 |
| **Total Liabilities**         | 3,263,123 | 2,463,573 |

| **Net Assets**                |       |       |
| Without donor restrictions    | 15,127,400 | 15,502,197 |
| With donor restrictions       | 4,806,335  | 4,351,100 |
| **Total Net Assets**          | 19,933,735 | 19,853,297 |

| **Total Liabilities and Net Assets** |       |       |
| **Total**                       | $23,196,858 | $22,316,870 |

See accompanying notes.
## Dauphin County Library System

### Statement of Activities

**Year Ended December 31, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax appropriations</td>
<td>$6,632,180</td>
<td>$9,258,320</td>
<td>$6,632,180</td>
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<tr>
<td>Contributions</td>
<td>181,153</td>
<td>358,167</td>
<td>539,320</td>
</tr>
<tr>
<td>Grants</td>
<td>267,853</td>
<td>-</td>
<td>267,853</td>
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<tr>
<td>Operating revenue</td>
<td>87,204</td>
<td>-</td>
<td>87,204</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>178,346</td>
<td>(178,346)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Support and Revenue</strong></td>
<td>7,346,736</td>
<td>179,821</td>
<td>7,526,557</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library services</td>
<td>6,133,006</td>
<td>-</td>
<td>6,133,006</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>1,150,878</td>
<td>-</td>
<td>1,150,878</td>
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<tr>
<td>Fundraising</td>
<td>399,575</td>
<td>-</td>
<td>399,575</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>7,683,459</td>
<td>-</td>
<td>7,683,459</td>
</tr>
<tr>
<td><strong>Net Change from Operations</strong></td>
<td>(336,723)</td>
<td>179,821</td>
<td>(156,902)</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment funds held</td>
<td>270,905</td>
<td>-</td>
<td>270,905</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>-</td>
<td>79,333</td>
<td>79,333</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>(36,312)</td>
<td>196,081</td>
<td>159,769</td>
</tr>
<tr>
<td>Pension related changes other than net periodic pension cost</td>
<td>(272,667)</td>
<td>-</td>
<td>(272,667)</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue</strong></td>
<td>(38,074)</td>
<td>275,414</td>
<td>237,340</td>
</tr>
<tr>
<td><strong>Changes in Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(374,797)</td>
<td>455,235</td>
<td>80,438</td>
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<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>15,502,197</td>
<td>4,351,100</td>
<td>19,853,297</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$15,127,400</td>
<td>$4,806,335</td>
<td>$19,933,735</td>
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</table>

See accompanying notes.
### Statement of Activities (continued)

**Year Ended December 31, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax appropriations</td>
<td>$ 6,096,533</td>
<td>$</td>
<td>$ 6,096,533</td>
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<tr>
<td>Contributions</td>
<td>359,251</td>
<td>515,855</td>
<td>875,106</td>
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<td>Grants</td>
<td>284,046</td>
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<td>284,046</td>
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<tr>
<td>Operating revenue</td>
<td>188,530</td>
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<td>188,530</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>184,349</td>
<td>(184,349)</td>
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</tr>
<tr>
<td><strong>Total Support and Revenue</strong></td>
<td></td>
<td></td>
<td>7,444,215</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
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<td></td>
</tr>
<tr>
<td>Library services</td>
<td>6,329,870</td>
<td></td>
<td>6,329,870</td>
</tr>
<tr>
<td>Supporting services</td>
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<td></td>
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<tr>
<td>Management and general</td>
<td>1,135,801</td>
<td></td>
<td>1,135,801</td>
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<tr>
<td>Fundraising</td>
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<td></td>
<td>391,572</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
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<td></td>
<td>7,857,243</td>
</tr>
<tr>
<td><strong>Net Change from Operations</strong></td>
<td></td>
<td></td>
<td>(413,028)</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in the fair value of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment funds held</td>
<td>422,618</td>
<td></td>
<td>422,618</td>
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<tr>
<td>Beneficial interests held by third parties</td>
<td>-</td>
<td>164,333</td>
<td>164,333</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>(389,434)</td>
<td>532,785</td>
<td>143,351</td>
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<tr>
<td>Pension related changes other than net periodic pension cost</td>
<td>(285,532)</td>
<td></td>
<td>(285,532)</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue</strong></td>
<td></td>
<td></td>
<td>444,770</td>
</tr>
<tr>
<td><strong>Changes in Net Assets</strong></td>
<td></td>
<td></td>
<td>31,742</td>
</tr>
<tr>
<td>Net Assets at Beginning of Year</td>
<td></td>
<td></td>
<td>19,821,555</td>
</tr>
<tr>
<td>Net Assets at End of Year</td>
<td>$ 15,502,197</td>
<td>$ 4,351,100</td>
<td>$ 19,853,297</td>
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</table>

See accompanying notes.
### Dauphin County Library System

**Statement of Functional Expenses - by Natural Classification**

<table>
<thead>
<tr>
<th>Year Ended December 31, 2020</th>
<th>Library Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank fees</td>
<td>$</td>
<td>$ 6,841</td>
<td>$</td>
<td>$ 6,841</td>
</tr>
<tr>
<td>Building and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>maintenance</td>
<td>400,782</td>
<td>44,531</td>
<td>-</td>
<td>445,313</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings, furnishings, and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equipment</td>
<td>600,625</td>
<td>38,338</td>
<td>-</td>
<td>638,963</td>
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<tr>
<td>Library materials</td>
<td>815,411</td>
<td>-</td>
<td>-</td>
<td>815,411</td>
</tr>
<tr>
<td>Vehicles</td>
<td>28,614</td>
<td>16,805</td>
<td>-</td>
<td>45,419</td>
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<tr>
<td>Electronic library materials</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>254,073</td>
<td>67,588</td>
<td>27,629</td>
<td>349,280</td>
</tr>
<tr>
<td>Freight and postage</td>
<td>14,296</td>
<td>813</td>
<td>17,024</td>
<td>32,133</td>
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<tr>
<td>Insurance</td>
<td>39,653</td>
<td>12,183</td>
<td>271</td>
<td>52,107</td>
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<td>Licensing and equipment rental</td>
<td>216,219</td>
<td>14,242</td>
<td>-</td>
<td>230,461</td>
</tr>
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<td>Memberships</td>
<td>21,682</td>
<td>8,562</td>
<td>-</td>
<td>30,244</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>567</td>
<td>2,349</td>
<td>-</td>
<td>2,916</td>
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<tr>
<td>Newspapers</td>
<td>15,801</td>
<td>-</td>
<td>-</td>
<td>15,801</td>
</tr>
<tr>
<td>Online loan and catalog service</td>
<td>50,527</td>
<td>-</td>
<td>-</td>
<td>50,527</td>
</tr>
<tr>
<td>Outsourcing charges</td>
<td>1,048</td>
<td>-</td>
<td>-</td>
<td>1,048</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>207,234</td>
<td>51,158</td>
<td>21,617</td>
<td>280,009</td>
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<td>Periodicals</td>
<td>66,080</td>
<td>-</td>
<td>-</td>
<td>66,080</td>
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<td>Printing</td>
<td>23,136</td>
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<td>21,118</td>
<td>44,254</td>
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<td>Professional fees</td>
<td>64,466</td>
<td>75,988</td>
<td>19,117</td>
<td>159,571</td>
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<tr>
<td>Program expenses</td>
<td>184,670</td>
<td>-</td>
<td>-</td>
<td>184,670</td>
</tr>
<tr>
<td>Property taxes</td>
<td>14,971</td>
<td>-</td>
<td>-</td>
<td>14,971</td>
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<tr>
<td>Salaries</td>
<td>2,692,569</td>
<td>716,266</td>
<td>292,799</td>
<td>3,701,634</td>
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<td>Supplies</td>
<td>54,067</td>
<td>11,868</td>
<td>-</td>
<td>65,935</td>
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<tr>
<td>Telephone and utilities</td>
<td>314,810</td>
<td>69,105</td>
<td>-</td>
<td>383,915</td>
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<tr>
<td>Travel and training</td>
<td>39,720</td>
<td>8,719</td>
<td>-</td>
<td>48,439</td>
</tr>
<tr>
<td>Vehicles, repairs, and</td>
<td>11,975</td>
<td>5,522</td>
<td>-</td>
<td>17,497</td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$ 6,133,006 $ 1,150,878 $ 399,575 $ 7,683,459

See accompanying notes.
**Dauphin County Library System**  
Statement of Functional Expenses - by Natural Classification (continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Library Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank fees</td>
<td>$</td>
<td>$ 7,262</td>
<td>$</td>
<td>$ 7,262</td>
</tr>
<tr>
<td>Building and equipment maintenance</td>
<td>462,660</td>
<td>51,407</td>
<td></td>
<td>514,067</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings, furnishings, and equipment</td>
<td>575,236</td>
<td>36,717</td>
<td></td>
<td>611,953</td>
</tr>
<tr>
<td>Library materials</td>
<td>786,025</td>
<td></td>
<td></td>
<td>786,025</td>
</tr>
<tr>
<td>Vehicles</td>
<td>27,515</td>
<td>16,160</td>
<td></td>
<td>43,675</td>
</tr>
<tr>
<td>Electronic library materials</td>
<td>1,741</td>
<td></td>
<td></td>
<td>1,741</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>262,467</td>
<td>69,820</td>
<td>28,542</td>
<td>360,829</td>
</tr>
<tr>
<td>Freight and postage</td>
<td>8,793</td>
<td>500</td>
<td>10,470</td>
<td>19,763</td>
</tr>
<tr>
<td>Insurance</td>
<td>39,077</td>
<td>12,006</td>
<td>267</td>
<td>51,350</td>
</tr>
<tr>
<td>Licensing and equipment rental</td>
<td>179,552</td>
<td>11,827</td>
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<td>191,379</td>
</tr>
<tr>
<td>Memberships</td>
<td>27,806</td>
<td>10,975</td>
<td></td>
<td>38,781</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>965</td>
<td>3,992</td>
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<td>4,957</td>
</tr>
<tr>
<td>Newspapers</td>
<td>18,726</td>
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<td></td>
<td>18,726</td>
</tr>
<tr>
<td>Online loan and catalog service</td>
<td>44,507</td>
<td></td>
<td></td>
<td>44,507</td>
</tr>
<tr>
<td>Outsourcing charges</td>
<td>4,033</td>
<td></td>
<td></td>
<td>4,033</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>207,788</td>
<td>51,294</td>
<td>21,674</td>
<td>280,756</td>
</tr>
<tr>
<td>Periodicals</td>
<td>14,517</td>
<td></td>
<td></td>
<td>14,517</td>
</tr>
<tr>
<td>Printing</td>
<td>28,792</td>
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<td>26,281</td>
<td>55,073</td>
</tr>
<tr>
<td>Professional fees</td>
<td>39,340</td>
<td>46,369</td>
<td>11,665</td>
<td>97,374</td>
</tr>
<tr>
<td>Program expenses</td>
<td>470,011</td>
<td></td>
<td></td>
<td>470,011</td>
</tr>
<tr>
<td>Property taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>2,691,407</td>
<td>715,957</td>
<td>292,673</td>
<td>3,700,037</td>
</tr>
<tr>
<td>Supplies</td>
<td>33,647</td>
<td>7,386</td>
<td></td>
<td>41,033</td>
</tr>
<tr>
<td>Telephone and utilities</td>
<td>295,034</td>
<td>64,764</td>
<td></td>
<td>359,798</td>
</tr>
<tr>
<td>Travel and training</td>
<td>88,844</td>
<td>19,502</td>
<td></td>
<td>108,346</td>
</tr>
<tr>
<td>Vehicles, repairs, and maintenance</td>
<td>21,387</td>
<td>9,863</td>
<td></td>
<td>31,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 6,329,870</strong></td>
<td><strong>$ 1,135,801</strong></td>
<td><strong>$ 391,572</strong></td>
<td><strong>$ 7,857,243</strong></td>
</tr>
</tbody>
</table>
### Dauphin County Library System

#### Statement of Cash Flows

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$ 80,438</td>
<td>$ 31,742</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,499,793</td>
<td>1,441,653</td>
</tr>
<tr>
<td>Gain on disposition of fixed assets</td>
<td>-</td>
<td>(7,377)</td>
</tr>
<tr>
<td>In-kind contributions for library materials</td>
<td>(6,883)</td>
<td>(5,530)</td>
</tr>
<tr>
<td>Net unrealized and realized investment gains</td>
<td>(364,822)</td>
<td>(469,801)</td>
</tr>
<tr>
<td>Change in fair value of beneficial interests held by third parties</td>
<td>(79,333)</td>
<td>(164,333)</td>
</tr>
<tr>
<td>Contributions restricted for endowment</td>
<td>(35,877)</td>
<td>(63,034)</td>
</tr>
<tr>
<td>Contributions restricted for fixed assets</td>
<td>(122,850)</td>
<td>(254,600)</td>
</tr>
<tr>
<td>(Increase) decrease in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(419,312)</td>
<td>97,547</td>
</tr>
<tr>
<td>Promises to give</td>
<td></td>
<td>10,752</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>32,516</td>
<td>17,800</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>218,107</td>
<td>(192,839)</td>
</tr>
<tr>
<td>Accrued payroll, vacation, payroll taxes, and withholdings</td>
<td>(98,864)</td>
<td>17,203</td>
</tr>
<tr>
<td>Defined benefit pension plan obligation</td>
<td>128,891</td>
<td>244,520</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>832,304</td>
<td>703,703</td>
</tr>
</tbody>
</table>

| **Cash Flows from Investing Activities** |        |        |
| Proceeds from sales of investments | 246,708 | 20,066 |
| Purchase of investments | (101,324) | (138,198) |
| Proceeds from liquidation of certificates of deposit | 103,074 | - |
| Purchase of certificates of deposit - including reinvested interest | (18,782) | (480,474) |
| Proceeds on disposition of fixed assets | - | 17,405 |
| Purchase of fixed assets | (1,614,391) | (2,214,531) |
| **Net Cash Used in Investing Activities** | (1,384,715) | (2,795,731) |

| **Cash Flows from Financing Activities** |        |        |
| Proceeds from note payable | 834,000 | - |
| Principal payments on note payable | (168,000) | - |
| Cash received restricted for endowment | 35,877 | 63,034 |
| Cash received restricted for fixed assets | 122,850 | 254,600 |
| **Net Cash Provided by Financing Activities** | 824,327 | 317,634 |

| **Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash** |
| 271,916 | (1,774,394) |

| **Cash and Cash Equivalents and Restricted Cash at Beginning of Year** |
| 1,542,054 | 3,316,448 |

| **Cash and Cash Equivalents and Restricted Cash at End of Year** |
| $ 1,813,970 | $ 1,542,054 |

| **Supplementary Schedule of Noncash Investing Activities** |
| Purchase of fixed assets in accounts payable | $ (15,524) | $ (130,208) |

| **Cash and Cash Equivalents and Restricted Cash is Comprised of the Following on the Statement of Financial Position** |
| Cash and cash equivalents | $ 1,013,183 | $ 885,411 |
| Restricted cash | 800,787 | 656,643 |
| **Total** | $ 1,813,970 | $ 1,542,054 |

See accompanying notes.
Note 1 - Nature of Operations

The Dauphin County Library System (the Library) is a nonprofit corporation offering an impressive range of literacy, cultural, and reference services to more than 235,000 area residents, educators, and business professionals. In recent years, the libraries included in the Library have increasingly become community centers for discussion classes, workshops and seminars, seasonal events, and for meetings of senior citizens' organizations and similar civic groups. The Library's primary sources of support and revenue are tax appropriations and contributions.

Management and general activities include the functions necessary to provide for the Library's program activities. They include activities that provide governance (Board of Trustees), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns, when needed, maintaining donor lists, conducting special fundraising events; and other activities involved with soliciting from corporations, foundations, individuals and others.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The Library follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under ASC 958-205, the Library reports net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into during its operations.

Net assets without donor restrictions include $1,061,508 and $1,073,828 of board-designated net assets as of December 31, 2020 and 2019, respectively. These net assets were specifically designated by the Board of Trustees to function as an endowment.
Note 2 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Net assets with donor restrictions are resources that are restricted by a donor for use for a purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Library must continue to use the resources in accordance with the donor’s instructions.

The Library’s unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Library, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a purpose or in a future period. All expenses and net losses other than losses on endowment investments with donor restrictions are reported as decreases in net assets without donor restrictions. Net gains on endowment investments with donor restrictions increase net assets with donor restrictions, and net losses on endowment investments with donor restrictions reduce that net asset class.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Library’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Library’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
Concentration of Credit Risk

The Library maintains its cash balances with local banks. Periodically, the Library has cash balances on deposit with banks that exceed the Federal Deposit Insurance Corporation insured amounts. The Library has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Accounts Receivable

Accounts receivable are unsecured and stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial. There was no allowance for doubtful accounts as of December 31, 2020 and 2019.

Fixed Assets

Fixed assets are recorded at cost except for donated library materials, which are recorded at their fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. All assets, other than library materials, acquired in excess of $500 with estimated useful lives exceeding one year are capitalized. All appropriate library materials are capitalized. Cost and accumulated depreciation of fixed assets sold or retired are removed from the accounts, and any resulting gain or loss is included in operations.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discount rates reflecting varying degrees of perceived risk. The management of the Library concluded that no impairment adjustments were required during the years ended December 31, 2020 and 2019.

Beneficial Interests Held by Third Parties

Beneficial interests held by third parties consist of the fair value of assets held in trusts established by donors for the benefit of the Library. These interests are recorded in the accompanying financial statements when the Library has received sufficient documentation to substantiate the trusts are irrevocable and unconditional, and the fair value of the Library's interest in the trusts can be readily determined. The Library generally does not have the ability to obtain direct control over its beneficial interest in assets held by third parties in the near term. Distributions to the Library from perpetual trusts are typically used to fund operations unless otherwise directed by the donors.
Note 2 - Summary of Significant Accounting Policies (continued)

Donated Materials and Services

The Library records the value of donated materials when there is an objective basis available to measure their value. Donated material and equipment, if any, are reflected as contributions in the accompanying financial statements at the fair value on the date received.

No amounts have been presented in the financial statements for donated services. The Library pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Library with the development and conduct of its program. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying financial statements.

Accrued Vacation

Employees of the Library are entitled to paid vacation depending on length of service and other factors; therefore, a liability is accrued for vacation earned, but not yet taken.

Revenue Recognition

Tax Appropriations

Tax appropriation revenue represents amounts received from Dauphin County, Pennsylvania from a dedicated real estate tax collected and amounts received from Lower Paxton Township from real estate tax assessments. Additionally, the Commonwealth of Pennsylvania contributes amounts which are also determined annually. Tax appropriation revenue is recorded when received or receivable. Tax appropriation revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

Contributions

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

All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Grants

Grant revenue deemed to be a contribution is classified as support with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions, since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

Grant revenue deemed to be in respect of exchange transactions is classified as support without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Endowment Funds

The Library's endowment funds consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Pennsylvania Act 141 requires the preservation of the fair value of the original gift as of the receipt date of the donor-restricted endowment funds, to the extent that there are no donor stipulations to the contrary. The Library classifies as net assets with donor restrictions the original value of gifts donated to the perpetual endowment and the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as net assets with donor restrictions for a specified purpose until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence described by Pennsylvania Act 141. The Library may annually spend certain percentages of the average portfolio value, using December 31 valuations, unless otherwise restricted by the donor.

Tax Status

The Library has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Management believes the Library continues to be operated in such a manner that is in compliance with its federal and state income tax exemption.

The Library follows the standards for accounting for uncertainty in income taxes according to the principles of FASB ASC 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires management to evaluate tax positions taken by the Library, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Library had taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Library is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2017.

Expense Recognition and Allocation

The cost of providing the Library's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses - by natural classification. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries, employee benefits, and payroll taxes are allocated based on departmental breakdowns used in processing payroll.

Occupancy expenses and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
Note 2 - Summary of Significant Accounting Policies (continued)

Expense Recognition and Allocation (continued)

Telephone and internet services, insurance, supplies and miscellaneous expenses that cannot be directly identified with a specific program or supporting service are allocated based on employee headcount for each library branch. Most of these expenses are allocated to Library services as these expenses primarily serve the public with a small portion serving administrative functions.

Management and general expenses include those costs that are not directly identifiable with a specific program, but which provide for the overall support and direction of the Library.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Library generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Advertising

The Library follows the policy of charging the cost of advertising to expense when incurred. Amounts charged to expense for advertising were $395 and $5,034 for the years ended December 31, 2020 and 2019, respectively.

Change in Accounting Principle

In August 2018, FASB issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurements (Topic 820). The amendments in this ASU removes, modifies, and adds certain disclosure requirements of ASC Topic 820. The Library implemented this standard during the year ended December 31, 2020. The Library has determined that the adoption of ASU 2018-13 did not have a material effect on the 2020 financial statements.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, Leases, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022.
Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The Library is currently evaluating the pending adoption of the new standards on the financial statements.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position date comprise the following as of December 31:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,013,183</td>
<td>$885,411</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>800,787</td>
<td>656,643</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>510,542</td>
<td>91,230</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>1,434,757</td>
<td>1,519,049</td>
</tr>
<tr>
<td>Endowment funds held</td>
<td>3,506,576</td>
<td>3,287,138</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>1,560,480</td>
<td>1,481,147</td>
</tr>
<tr>
<td>Total Financial Assets</td>
<td>8,826,325</td>
<td>7,920,618</td>
</tr>
</tbody>
</table>

Amounts Not Available to be Used for General Expenditures Within One Year

| Purpose restricted net assets                   | (800,787)  | (656,643)  |
| Donor-restricted endowment funds                | (4,005,548)| (3,694,457)|
| Board-designated endowment funds                | (1,061,508)| (1,073,828)|
| Total Amounts Not Available to be Used for General Expenditures Within One Year | (5,867,843)| (5,424,928)|

Financial Assets Available to Be Used for General Expenditures Within One Year

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2,958,482</td>
<td>$2,495,690</td>
</tr>
</tbody>
</table>
Dauphin County Library System
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 - Liquidity and Availability (continued)

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

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Library's intention to invest those resources for the long-term support of the Library. However, in the case of need, the Board of Trustees could appropriate resources from the board-designated endowment fund.

The Library's goal is generally to maintain financial assets to meet three to six months of budgeted operating expenses (approximately $1,900,000 to $3,800,000). As part of its liquidity plan, excess cash is invested in certificates of deposit and money market accounts.

The Library has a $350,000 line of credit available to meet cash flow needs (refer to Note 17).

Note 4 - Grants

Grant revenue recognized is as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-rate program</td>
<td>$140,724</td>
<td>$150,046</td>
</tr>
<tr>
<td>Other grants</td>
<td>93,796</td>
<td>88,000</td>
</tr>
<tr>
<td>Educational Improvement Tax Credit program</td>
<td>33,333</td>
<td>46,000</td>
</tr>
<tr>
<td></td>
<td>$267,853</td>
<td>$284,046</td>
</tr>
</tbody>
</table>

Note 5 - Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash consist of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market and savings</td>
<td>$1,452,532</td>
<td>$886,675</td>
</tr>
<tr>
<td>Checking</td>
<td>360,158</td>
<td>654,099</td>
</tr>
<tr>
<td>Petty cash</td>
<td>1,280</td>
<td>1,280</td>
</tr>
<tr>
<td></td>
<td>$1,813,970</td>
<td>$1,542,054</td>
</tr>
</tbody>
</table>
Note 6 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. FASB ASC 820 also establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset. Observable inputs reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical investment.

**Level 2** - Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

**Level 3** - Significant unobservable inputs (including the Library’s own assumptions in determining the fair value of investments).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of 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 following valuation techniques were used to measure fair value of assets in the tables on the following pages on a recurring basis as of December 31, 2020 and 2019:

Investments in certificates of deposit and cash and cash equivalents - The carrying amounts of certificates of deposit and cash and cash equivalents approximate fair value because of the short-term nature of those investments.

Investments in mutual funds, fixed income, and other - Fair value of mutual funds, fixed income, and other investments was based on quoted market prices for the identical security.

Beneficial interests held by third parties - Fair value of beneficial interests held by third parties was based on the Library’s ownership interest of the funds as determined by the third parties. The funds’ assets were valued based on the performance of underlying investments as well as an administrative fee.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

The Library's financial instruments also include cash and cash equivalents, accounts receivable, and accounts payable. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value as of December 31, 2020 and 2019 because of the short maturities of those instruments.
Note 6 - Fair Value Measurements (continued)

The following tables present the Library's assets that are measured at fair value on a recurring basis, consistent with the fair value hierarchy provisions of FASB ASC 820:

<table>
<thead>
<tr>
<th>Fair Value Measurements at December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted Prices in Active Markets for Identical Assets (Level 1)</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
</tr>
<tr>
<td>Endowment Funds Held</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Mutual funds</td>
</tr>
<tr>
<td>Large cap</td>
</tr>
<tr>
<td>Small/mid cap</td>
</tr>
<tr>
<td>International</td>
</tr>
<tr>
<td>Total Mutual Funds</td>
</tr>
<tr>
<td>Fixed income</td>
</tr>
<tr>
<td>Multi-sector</td>
</tr>
<tr>
<td>High yield</td>
</tr>
<tr>
<td>Total Fixed Income</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Long/short equity</td>
</tr>
<tr>
<td>Multi-strategy</td>
</tr>
<tr>
<td>Total Other</td>
</tr>
<tr>
<td>Total Endowment Funds Held</td>
</tr>
<tr>
<td>Beneficial Interests Held by Third Parties</td>
</tr>
</tbody>
</table>
Note 6 - Fair Value Measurements (continued)

<table>
<thead>
<tr>
<th>Fair Value Measurements at December 31, 2019</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Certificates of Deposit</strong></td>
<td>$1,519,049</td>
<td>$—</td>
<td>$—</td>
<td>$1,519,049</td>
</tr>
<tr>
<td><strong>Endowment Funds Held</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$137,597</td>
<td>$—</td>
<td>$—</td>
<td>$137,597</td>
</tr>
<tr>
<td><strong>Mutual funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap</td>
<td>1,359,111</td>
<td>$—</td>
<td>$—</td>
<td>1,359,111</td>
</tr>
<tr>
<td>Small/mid cap</td>
<td>281,162</td>
<td>$—</td>
<td>$—</td>
<td>281,162</td>
</tr>
<tr>
<td>International</td>
<td>498,053</td>
<td>$—</td>
<td>$—</td>
<td>498,053</td>
</tr>
<tr>
<td><strong>Total Mutual Funds</strong></td>
<td>2,138,326</td>
<td>$—</td>
<td>$—</td>
<td>2,138,326</td>
</tr>
<tr>
<td><strong>Fixed income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-sector</td>
<td>789,503</td>
<td>$—</td>
<td>$—</td>
<td>789,503</td>
</tr>
<tr>
<td>High yield</td>
<td>33,615</td>
<td>$—</td>
<td>$—</td>
<td>33,615</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>33,342</td>
<td>$—</td>
<td>$—</td>
<td>33,342</td>
</tr>
<tr>
<td><strong>Total Fixed Income</strong></td>
<td>856,460</td>
<td>$—</td>
<td>$—</td>
<td>856,460</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long/short equity</td>
<td>100,361</td>
<td>$—</td>
<td>$—</td>
<td>100,361</td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>54,394</td>
<td>$—</td>
<td>$—</td>
<td>54,394</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>154,755</td>
<td>$—</td>
<td>$—</td>
<td>154,755</td>
</tr>
<tr>
<td><strong>Total Endowment Funds Held</strong></td>
<td>$3,287,136</td>
<td>$—</td>
<td>$—</td>
<td>$3,287,136</td>
</tr>
<tr>
<td><strong>Beneficial Interests Held by Third Parties</strong></td>
<td></td>
<td></td>
<td>$1,461,147</td>
<td>$1,461,147</td>
</tr>
</tbody>
</table>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Library evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2020 and 2019, there were no transfers in or out of Level 3.
Note 7 - Endowment Funds Held

Endowment funds held were as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$126,048</td>
<td>$126,048</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap</td>
<td>1,136,982</td>
<td>1,417,906</td>
</tr>
<tr>
<td>Small/mid cap</td>
<td>368,045</td>
<td>458,581</td>
</tr>
<tr>
<td>International</td>
<td>369,161</td>
<td>443,444</td>
</tr>
<tr>
<td>Total Mutual Funds</td>
<td>1,874,188</td>
<td>2,319,931</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-sector</td>
<td>808,570</td>
<td>834,583</td>
</tr>
<tr>
<td>High yield</td>
<td>54,361</td>
<td>54,762</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>862,931</td>
<td>889,345</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long/short equity</td>
<td>99,421</td>
<td>102,631</td>
</tr>
<tr>
<td>Multi-strategy</td>
<td>64,429</td>
<td>68,621</td>
</tr>
<tr>
<td>Total Other</td>
<td>163,850</td>
<td>171,252</td>
</tr>
<tr>
<td></td>
<td>$3,027,017</td>
<td>$3,506,576</td>
</tr>
</tbody>
</table>

Note 8 - Investments

Investment income, net and changes in the value of endowment funds held are summarized as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized gains</td>
<td>$93,917</td>
<td>$47,183</td>
</tr>
<tr>
<td>Dividends and interest, net</td>
<td>$65,852</td>
<td>$96,168</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>159,769</td>
<td>143,351</td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>270,905</td>
<td>422,618</td>
</tr>
<tr>
<td></td>
<td>$430,674</td>
<td>$565,969</td>
</tr>
</tbody>
</table>
Note 9 - Fixed Assets

The cost and related accumulated depreciation of fixed assets are as follows at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, furnishings, and equipment</td>
<td>$21,586,491</td>
<td>$20,741,388</td>
</tr>
<tr>
<td>Library materials</td>
<td>3,679,207</td>
<td>3,596,223</td>
</tr>
<tr>
<td>Land*</td>
<td>922,455</td>
<td>922,455</td>
</tr>
<tr>
<td>Construction in progress*</td>
<td>412,495</td>
<td>605,674</td>
</tr>
<tr>
<td>Vehicles</td>
<td>245,075</td>
<td>263,107</td>
</tr>
<tr>
<td></td>
<td>26,845,723</td>
<td>26,128,847</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(12,689,737)</td>
<td>(11,979,658)</td>
</tr>
</tbody>
</table>

$14,155,986 $14,149,189

* Not depreciated

A reconciliation of Library materials is as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of materials at beginning of year</td>
<td>$3,596,223</td>
<td>$3,410,747</td>
</tr>
<tr>
<td>Materials purchased and donated</td>
<td>854,665</td>
<td>830,309</td>
</tr>
<tr>
<td>Materials fully depreciated and deleted</td>
<td>(771,681)</td>
<td>(644,833)</td>
</tr>
<tr>
<td></td>
<td>3,679,207</td>
<td>3,596,223</td>
</tr>
</tbody>
</table>

Note 10 - Beneficial Interests Held by Third Parties

The Library is the beneficiary of several trusts held by third parties. On an annual basis, the Library places a value on the beneficial interests based on the quoted market value of the investments held in trust. The trusts were established by persons, wills, living trust agreements, and court decrees with various restrictions. The entire balance is reported as net assets with donor restrictions.

The amounts recorded in the Library's statement of financial position include the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ida Browning</td>
<td>$161,955</td>
<td>$149,732</td>
</tr>
<tr>
<td>Edith Demain</td>
<td>427,732</td>
<td>413,749</td>
</tr>
<tr>
<td>Robert Hanson</td>
<td>61,536</td>
<td>74,139</td>
</tr>
<tr>
<td>William Donaldson (under agreement)</td>
<td>115,231</td>
<td>104,478</td>
</tr>
<tr>
<td>William Donaldson (under will)</td>
<td>507,503</td>
<td>488,672</td>
</tr>
<tr>
<td>Charlotte L. Shuey</td>
<td>241,227</td>
<td>229,605</td>
</tr>
<tr>
<td>Thomas Wierman</td>
<td>45,286</td>
<td>40,772</td>
</tr>
<tr>
<td></td>
<td>1,560,480</td>
<td>1,481,147</td>
</tr>
</tbody>
</table>
Note 11 - Note Payable

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 20). The Library applied for a loan under this Program and received from M&T Bank, a loan in the amount of $834,000 on April 17, 2020. On May 14, 2020, the Library repaid $168,000 of the loan. The outstanding loan balance is forgivable if the Library meets certain criteria as established under the Program. The Library will seek loan forgiveness in fiscal year 2021. The loan is unsecured and does not require personal guarantees.

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan, and thereafter would convert to monthly payments of principal and interest. Monthly principal and interest payments were to be due beginning November 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the Small Business Administration remits the loan forgiveness amount, or if loan forgiveness is not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. The Library elected to use a 24-week loan forgiveness covered period. In February 2021, the Library was notified by M&T Bank that the loan has been forgiven by the Small Business Administration (refer to Note 21).

Note 12 - Endowment Funds

The long-term objective of endowment funds is to pursue a set of objectives designed to maximize the returns of the endowment funds without exposing the funds to undue risk. In order to meet its goals, the investment strategy of the endowment funds is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income. The objective shall be achieved by investing in a mix of cash and cash equivalents, fixed income instruments, and equity securities that meet the investment strategy. The objective may also be achieved by use of alternative investments that meet the investment strategy.

Investment strategies employed by the managers shall conserve and enhance the capital value of the endowment funds in real terms through asset appreciation and income generation while maintaining an appropriate investment risk profile.

In order to achieve objectives for the assets, the endowment funds will experience volatility of returns and fluctuations of market value. A level of volatility similar to a comparable market index is deemed acceptable in order to achieve the investment objectives of the endowment fund.
Dauphin County Library System  
Notes to Financial Statements  
December 31, 2020 and 2019

Note 12 - Endowment Funds (continued)

Changes in endowment-related activities are as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions - Board Designated</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>$1,081,714</td>
<td>$2,934,305</td>
<td>$4,016,019</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>(7,886)</td>
<td>697,118</td>
<td>689,232</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>63,034</td>
<td>63,034</td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>1,073,828</td>
<td>3,694,457</td>
<td>4,768,285</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>(12,320)</td>
<td>275,414</td>
<td>263,094</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>35,677</td>
<td>35,677</td>
</tr>
<tr>
<td>December 31, 2020</td>
<td>$1,061,508</td>
<td>$4,005,548</td>
<td>$5,067,056</td>
</tr>
</tbody>
</table>

Note 13 - Net Assets

Net assets consist of the following as of December 31:

Endowment Net Assets

<table>
<thead>
<tr>
<th>Funds invested in perpetuity</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carole DeSoto Fund, Elizabethville Arts Series</td>
<td>$ -</td>
<td>$99,971</td>
<td>99,971</td>
</tr>
<tr>
<td>Joan Y. Leopold Fund, Children's Book Week</td>
<td>-</td>
<td>236,111</td>
<td>236,111</td>
</tr>
<tr>
<td>Kathryn Witter Sandel Memorial Fund, materials for the William H. and Marion C. Alexander Family Library</td>
<td>-</td>
<td>23,222</td>
<td>23,222</td>
</tr>
<tr>
<td>Henry and Dottie Swartz Fund, East Shore Area Library materials and expansion</td>
<td>-</td>
<td>861,917</td>
<td>861,917</td>
</tr>
<tr>
<td>Light the Way to Learning</td>
<td>-</td>
<td>468,245</td>
<td>468,245</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>-</td>
<td>1,560,480</td>
<td>1,560,480</td>
</tr>
<tr>
<td>Other endowment funds</td>
<td>-</td>
<td>755,602</td>
<td>755,602</td>
</tr>
<tr>
<td>Designated by the Board of Trustees to function as an endowment</td>
<td>1,061,508</td>
<td>-</td>
<td>1,061,508</td>
</tr>
<tr>
<td>Total Endowment Net Assets</td>
<td>1,061,508</td>
<td>4,005,548</td>
<td>5,067,056</td>
</tr>
</tbody>
</table>
## Note 13 - Net Assets (continued)

### Purpose Restricted Net Assets

<table>
<thead>
<tr>
<th>Library materials</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$ 423,537</td>
<td>$ 423,537</td>
</tr>
<tr>
<td>Building renovations</td>
<td></td>
<td>$ 377,250</td>
<td>$ 377,250</td>
</tr>
<tr>
<td><strong>Total Purpose Restricted Net Assets</strong></td>
<td></td>
<td></td>
<td><strong>800,787</strong></td>
</tr>
</tbody>
</table>

### Net Assets Without Donor Restrictions

<table>
<thead>
<tr>
<th>Defined benefit pension reserve</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,577,570</td>
<td></td>
<td>2,577,570</td>
</tr>
<tr>
<td>Other</td>
<td>11,488,322</td>
<td></td>
<td>11,488,322</td>
</tr>
<tr>
<td><strong>Total Net Assets Without Donor Restrictions</strong></td>
<td>14,065,892</td>
<td></td>
<td>14,065,892</td>
</tr>
</tbody>
</table>

### Total Net Assets

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$ 15,127,400</td>
<td>$ 4,806,335</td>
<td>$ 19,933,735</td>
</tr>
</tbody>
</table>

### Endowment Net Assets

<table>
<thead>
<tr>
<th>Funds invested in perpetuity</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carole DeSoto Fund, Elizabethville Arts Series</td>
<td>$</td>
<td>$ 94,695</td>
<td>$ 94,695</td>
</tr>
<tr>
<td>Joan Y. Leopold Fund, Children's Book Week</td>
<td>-</td>
<td>203,753</td>
<td>203,753</td>
</tr>
<tr>
<td>Kathryn Witmer Sandel Memorial Fund, materials for the William H. and Marion C. Alexander Family Library</td>
<td>-</td>
<td>20,978</td>
<td>20,978</td>
</tr>
<tr>
<td>Henry and Dottie Swartz Fund, East Shore Area Library materials and expansion</td>
<td>-</td>
<td>816,413</td>
<td>816,413</td>
</tr>
<tr>
<td>Light the Way to Learning</td>
<td>-</td>
<td>411,344</td>
<td>411,344</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>-</td>
<td>1,481,147</td>
<td>1,481,147</td>
</tr>
<tr>
<td>Other endowment funds</td>
<td>-</td>
<td>666,127</td>
<td>666,127</td>
</tr>
<tr>
<td>Designated by the Board of Trustees to function as an endowment</td>
<td>1,073,828</td>
<td>-</td>
<td>1,073,828</td>
</tr>
<tr>
<td><strong>Total Endowment Net Assets</strong></td>
<td>1,073,828</td>
<td>3,694,457</td>
<td>4,768,285</td>
</tr>
</tbody>
</table>
Note 13 - Net Assets (continued)

<table>
<thead>
<tr>
<th>Purpose Restricted Net Assets</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library materials</td>
<td>$</td>
<td>$ 402,043</td>
<td>$ 402,043</td>
</tr>
<tr>
<td>Building renovations</td>
<td>-</td>
<td>254,600</td>
<td>254,600</td>
</tr>
<tr>
<td><strong>Total Purpose Restricted Net Assets</strong></td>
<td><strong>-</strong></td>
<td><strong>656,643</strong></td>
<td><strong>656,643</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets Without Donor Restrictions</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit pension reserve</td>
<td>2,304,903</td>
</tr>
<tr>
<td>Other</td>
<td>12,123,466</td>
</tr>
<tr>
<td><strong>Total Net Assets Without Donor Restrictions</strong></td>
<td><strong>14,428,369</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Net Assets</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Donor Restrictions</td>
<td>$ 15,502,197</td>
</tr>
<tr>
<td>With Donor Restrictions</td>
<td>$ 4,351,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 19,853,297</strong></td>
</tr>
</tbody>
</table>

Note 14 - Net Assets Released from Restrictions

Net assets released from donor restrictions, which include library materials, programming, and other items, were $178,346 and $184,349 for the years ended December 31, 2020 and 2019, respectively.

Note 15 - Defined Benefit Pension Plan

The Library has a defined benefit pension plan covering employees who meet age and service requirements. Effective January 1, 2017, no new employees may enter the plan. The Library's defined benefit pension plan funding policy provides for periodic employer contributions at actuarially determined rates sufficient to meet at least the minimum funding standards under applicable regulations. Benefits are based on years of service and employee compensation. Effective January 1, 2017, no employee contributions are required.

Effective January 1, 2018, the Library amended the plan to cease benefit accruals and the crediting of hours of service for purposes of accruing additional years of services benefit. As a result, each participant will receive a monthly benefit payable at normal retirement age equal to his or her normal retirement benefit as determinable under the terms of the plan in effect as of January 1, 2018, taking into account years of benefit service and compensation as of that date. A participant’s accrued benefit at any time equals the amount of his or her accrued benefit under the plan as of January 1, 2018.

In addition, the plan was amended to provide a lump-sum optional form of benefit payment, regardless of the present value of the lump-sum. The plan was also amended to permit employees who meet the normal retirement age requirements to commence benefits under the plan while remaining employed by the Library.
Note 15 - Defined Benefit Pension Plan (continued)

The following tables set forth by level, within the fair value hierarchy (refer to Note 6), the plan's investments at fair value as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>Cash and Cash Equivalents</th>
<th>Mutual Funds</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Equity funds</td>
<td>3,188,188</td>
<td>3,188,188</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fixed income funds</td>
<td>2,094,488</td>
<td>2,094,488</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 5,316,004</td>
<td>5,316,004</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and Cash Equivalents</td>
<td>$ 33,328</td>
<td>(Level 1)</td>
<td>$ 33,328</td>
<td>33,328</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and Cash Equivalents</td>
<td>$ 32,096</td>
<td>2019</td>
<td>32,096</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mutul Funds</td>
<td>Equity funds</td>
<td>3,080,841</td>
<td>3,080,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fixed income funds</td>
<td>2,035,225</td>
<td>2,035,225</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 5,148,162</td>
<td>5,148,162</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table sets forth the plan's funded status and amounts recognized in the accompanying statement of financial position as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>Change in Benefit Obligation</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projected benefit obligation at beginning of year</td>
<td>$ 6,926,337</td>
<td>2020</td>
<td>$ 6,299,329</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Change due to change in assumptions</td>
<td>633,281</td>
<td>2020</td>
<td>766,941</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest cost</td>
<td>215,957</td>
<td>2020</td>
<td>259,576</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experience gains</td>
<td>(66,468)</td>
<td>2020</td>
<td>9,663</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benefit payments</td>
<td>(485,937)</td>
<td>2020</td>
<td>(409,172)</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Projected benefit obligation at end of year</td>
<td>7,223,170</td>
<td>2020</td>
<td>6,926,337</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Change in Plan Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value of plan assets at beginning of year</td>
<td>5,148,162</td>
<td>2020</td>
<td>4,765,674</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employer contributions</td>
<td>43,815</td>
<td>2020</td>
<td>-</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Actual return on plan assets</td>
<td>609,964</td>
<td>2020</td>
<td>791,660</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benefit payments (including assumed expenses)</td>
<td>(485,937)</td>
<td>2020</td>
<td>(409,172)</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair value of plan assets at end of year</td>
<td>5,316,004</td>
<td>2020</td>
<td>5,148,162</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                      | Funded Status and Accrued Pension Liability | $ (1,907,166) | 2020 | $ (1,778,175) | 2019 |         |         |
Note 15 - Defined Benefit Pension Plan (continued)

The Library's net assets without donor restrictions include $2,577,570 and $2,304,903 of net loss not yet recognized in net periodic pension expense as of December 31, 2020 and 2019, respectively. Approximately $124,000 of the net loss included in changes in net assets will be recognized in net periodic pension expense during the year ending December 31, 2021.

The accumulated benefit obligation amounted to $7,223,170 and $6,926,337 as of December 31, 2020 and 2019, respectively:

Net periodic pension expense included the following components for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>$215,957</td>
<td>$259,576</td>
</tr>
<tr>
<td>Net amortization of prior service cost, transition obligation, and net loss</td>
<td>103,497</td>
<td>87,383</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(419,315)</td>
<td>(387,971)</td>
</tr>
<tr>
<td><strong>Net Periodic Pension Cost</strong></td>
<td><strong>$ (99,861)</strong></td>
<td><strong>$ (41,012)</strong></td>
</tr>
</tbody>
</table>

The plan's funded status as of any measurement date is based on prevailing market conditions as to discount rate and plan assets and, accordingly, is subject to volatility.

The following weighted average rates were used in determining the actuarial present value of the projected benefit obligations and the related net periodic pension cost as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2.50 %</td>
<td>3.25 %</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>8.50</td>
<td>8.50</td>
</tr>
</tbody>
</table>

The basis for the long-term expected rate of return is based on the Library's risk tolerance and historical trends of its invested plan asset mix. The expected rate of return has not been adjusted recently, since historically it has not fluctuated above or below that rate significantly, and based on the current asset class mix and risk tolerance, the expected future return is 8.50%.

Benefits expected to be paid to participants in each of the next five years and in the aggregate for the subsequent years thereafter are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefits Expected to Be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$395,350</td>
</tr>
<tr>
<td>2022</td>
<td>389,040</td>
</tr>
<tr>
<td>2023</td>
<td>380,141</td>
</tr>
<tr>
<td>2024</td>
<td>376,653</td>
</tr>
<tr>
<td>2025</td>
<td>373,667</td>
</tr>
<tr>
<td>2026 to 2030</td>
<td>1,929,420</td>
</tr>
</tbody>
</table>
Note 15 - Defined Benefit Pension Plan (continued)

The Library uses the straight-line method to amortize prior service cost over the average remaining service periods of employees expected to receive benefits under the plan.

For the years prior to and including December 31, 2017, the Library funded the pension plan on an annual basis based on a contribution amount determined by management. Since the plan was amended to freeze benefit accruals on January 1, 2018, no contribution is anticipated for the year ended December 31, 2020.

The investment allocation of plan assets consists of the following as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>0.60%</td>
<td>0.62%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity funds</td>
<td>60.00%</td>
<td>59.85%</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>39.40%</td>
<td>39.53%</td>
</tr>
<tr>
<td></td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

The Library's investment policy for plan assets is to manage the portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds. The portfolio is diversified by investing in multiple types of investment-grade securities. The investment policy requires fixed income securities of the plan to be primarily invested in short-term securities with at least an investment grade rating to minimize interest rate and credit risk as well as to provide for an immediate source of funds. Target allocation percentages for each major category of plan assets are as follows:

- Equity funds: 40 to 80%
- Fixed income funds: 20 to 60%
- Cash and cash equivalents: 0 to 15%

The Library attempts to mitigate investment risk by rebalancing between equity and fixed income asset classes as the Library’s contributions and monthly benefit payments are made. Although changes in interest rates, economic conditions, and expectations may affect the fair value of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

Note 16 - Defined Contribution Pension Plan

On December 31, 2016, the Library froze entrance into the defined benefit pension plan for all employees who did not qualify to enter the defined benefit pension plan as of July 1, 2016. On December 31, 2016, the Library also established a defined contribution pension plan under Internal Revenue Code Section 401(a). The defined contribution pension plan applies to all employees who qualified for pension benefits after July 1, 2016 and were not eligible to participate in the defined benefit pension plan. In addition, all employees formerly participating in the defined benefit pension plan who remained employed with the Library as of December 31, 2016, were enrolled in the defined contribution pension plan as of that date and were fully vested.
Note 16 - Defined Contribution Pension Plan (continued)

An employee becomes a participant in the defined contribution pension plan on the June 30 or December 31 after the date he or she completes one year of eligible service. An employee is credited with a year of eligible service when he or she completes at least 1,000 hours of service in a 12-month period. Employees vest in the defined contribution pension plan over a period of five years as follows:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vesting Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>0 %</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
</tr>
<tr>
<td>6 or more</td>
<td>100</td>
</tr>
</tbody>
</table>

As of December 31, 2020, there were 108 active members in the defined contribution pension plan and 8 vested former members. Contributions to the plan during the years ended December 31, 2020 and 2019 totaled $94,149 and $81,514, respectively. At December 31, 2020 and 2019, these contributions were included in accounts payable.

Note 17 - Line of Credit

The Library has an unsecured $350,000 line of credit with M&T Bank. Interest is charged at 1.00% above the bank's prime rate, which was 4.25% and 5.75% as of December 31, 2020 and 2019, respectively. There were no amounts outstanding at December 31, 2020 and 2019.

Note 18 - Commitments

The Library leases various operating equipment under operating leases. Rent expense under these agreements amounted to $86,208 and $101,538 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments, assuming no changes in current terms, consist of the following for the remaining three years ending December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$73,054</td>
</tr>
<tr>
<td>2022</td>
<td>71,543</td>
</tr>
<tr>
<td>2023</td>
<td>33,932</td>
</tr>
</tbody>
</table>
Note 19 - Economic Dependency

A significant amount of support for the Library is received from a dedicated real estate tax collected by Dauphin County, Pennsylvania (the County). Support from the County totaled $4,568,691 and $4,568,275 for the years ended December 31, 2020 and 2019, respectively. In addition, the Commonwealth of Pennsylvania contributes amounts which are also determined annually. These amounts totaled $1,931,310 and $1,395,577 for the years ended December 31, 2020 and 2019, respectively. Also, Lower Paxton Township provided $132,179 and $132,681 from real estate tax assessments for the years ended December 31, 2020 and 2019, respectively. In total, during the years ended December 31, 2020 and 2019, approximately 88% and 82%, respectively, of the Library’s support and revenue consisted of these tax appropriations.

Note 20 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Library operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Library.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 21 - Subsequent Events

The Library has evaluated subsequent events through June 18, 2021. This date is the date the financial statements were available to be issued. The following material event subsequent to December 31, 2020 was noted:

In February 2021, the Library was notified by M&T Bank that the Paycheck Protection Program loan (refer to Note 11) has been forgiven by the Small Business Administration.

No other material events subsequent to December 31, 2020 were noted.
## Dauphin County Library System

**Schedule of Operating and Non-Operating Support and Revenue**

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
</tbody>
</table>

### Operating Support

#### Tax Appropriations

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dauphin County</td>
<td>$4,568,691</td>
<td>$4,568,275</td>
</tr>
<tr>
<td>Commonwealth of Pennsylvania</td>
<td>1,931,310</td>
<td>1,395,577</td>
</tr>
<tr>
<td>Lower Paxton Township</td>
<td>132,179</td>
<td>132,681</td>
</tr>
<tr>
<td><strong>Total Tax Appropriations</strong></td>
<td>6,632,180</td>
<td>6,096,533</td>
</tr>
</tbody>
</table>

#### Contributions

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital campaign</td>
<td>122,650</td>
<td>254,600</td>
</tr>
<tr>
<td>Funds and foundations</td>
<td>104,686</td>
<td>171,960</td>
</tr>
<tr>
<td>Other</td>
<td>311,984</td>
<td>448,546</td>
</tr>
<tr>
<td><strong>Total Contributions</strong></td>
<td>539,320</td>
<td>875,106</td>
</tr>
</tbody>
</table>

#### Grants

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>267,853</td>
<td>284,046</td>
</tr>
<tr>
<td><strong>Total Operating Support</strong></td>
<td>7,439,353</td>
<td>7,255,685</td>
</tr>
</tbody>
</table>

### Operating Revenue

#### Desk receipts

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56,633</td>
<td>144,687</td>
</tr>
</tbody>
</table>

#### Negotiated services

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17,192</td>
<td>13,875</td>
</tr>
</tbody>
</table>

#### Other

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11,969</td>
<td>17,803</td>
</tr>
</tbody>
</table>

#### Credit bureau

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,410</td>
<td>4,788</td>
</tr>
</tbody>
</table>

#### Gain on disposition of fixed assets

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>7,377</td>
</tr>
</tbody>
</table>

**Total Operating Revenue**

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>87,204</td>
<td>188,530</td>
</tr>
</tbody>
</table>

**Total Operating Support and Revenue**

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$7,526,557</td>
<td>$7,444,215</td>
</tr>
</tbody>
</table>

### Non-Operating Revenue

#### Change in the Fair Value of

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment funds held</td>
<td>$270,905</td>
<td>$422,618</td>
</tr>
<tr>
<td>Beneficial interests held by third parties</td>
<td>79,333</td>
<td>164,333</td>
</tr>
<tr>
<td><strong>Total Change in Fair Value</strong></td>
<td>350,238</td>
<td>586,951</td>
</tr>
</tbody>
</table>

#### Investment Income

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized gains on sale of investment</td>
<td>93,917</td>
<td>47,183</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>65,852</td>
<td>96,168</td>
</tr>
<tr>
<td><strong>Total Investment Income</strong></td>
<td>159,769</td>
<td>143,351</td>
</tr>
</tbody>
</table>

### Pension Related Changes Other Than Net Periodic Pension Cost

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Cost</td>
<td>(272,667)</td>
<td>(285,532)</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue</strong></td>
<td>$237,340</td>
<td>$444,770</td>
</tr>
</tbody>
</table>