



Dauphin County Library System

**Financial Statements and
Supplementary Information**

December 31, 2024 and 2023



Dauphin County Library System

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December 31, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Dauphin County Library System (the Library), which comprise the statement of financial position as of December 31, 2024 and 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Library as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 the financial statements in accordance with 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 that 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 one year after the date that the financial statements are available to be issued.



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 to issue an auditor's 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 for one resulting from 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 judgment 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 the 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 Library'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 audits.

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 purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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.

RKL LLP

November 13, 2025
Mechanicsburg, Pennsylvania

Dauphin County Library System

Statement of Financial Position

	December 31,	
	2024	2023
Assets		
Cash and cash equivalents	\$ 1,256,408	\$ 1,044,671
Restricted cash	516,904	736,702
Accounts receivable	88,385	629,266
Promises to give, net	1,029,264	1,061,419
Prepaid expenses	338,914	267,948
Fixed assets, net	17,477,358	18,092,193
Right-of-use assets, operating leases	132,393	123,889
Right-of-use assets, finance leases	29,741	39,184
Certificates of deposit	1,706,227	1,638,598
Endowment funds held	4,814,939	4,201,215
Beneficial interests held by third parties	1,558,908	1,489,915
Total Assets	\$ 28,949,441	\$ 29,325,000
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 390,145	\$ 455,575
Accrued payroll, vacation, payroll taxes, and withholdings	279,909	237,361
Note payable	1,157,647	1,559,207
Operating lease liability	132,393	123,889
Finance lease liability	30,744	39,787
Defined benefit pension plan obligation	731,700	1,135,352
Total Liabilities	2,722,538	3,551,171
Net Assets		
Without donor restrictions	19,937,531	19,639,478
With donor restrictions	6,289,372	6,134,351
Total Net Assets	26,226,903	25,773,829
Total Liabilities and Net Assets	\$ 28,949,441	\$ 29,325,000

Dauphin County Library System

Statement of Activities

	Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Tax appropriations	\$ 6,698,616	\$ -	\$ 6,698,616
Contributions	445,273	218,570	663,843
Grants	263,277	241,000	504,277
In-kind contributions	200,628	-	200,628
Operating revenue	109,884	-	109,884
Your Place to Belong Capital Campaign	-	3,350	3,350
Net assets released from restrictions	860,248	(860,248)	-
Total Support and Revenue	8,577,926	(397,328)	8,180,598
Operating Expenses			
Library services	6,832,997	-	6,832,997
Supporting services			
Management and general	1,653,160	-	1,653,160
Fundraising	346,169	-	346,169
Total Operating Expenses	8,832,326	-	8,832,326
Net Change from Operations	(254,400)	(397,328)	(651,728)
Non-Operating Revenue			
Interest income	103,042	-	103,042
Changes in the fair value of beneficial interests held by third parties	-	68,993	68,993
Return on endowment funds held, net	25,974	483,356	509,330
Pension related changes other than net periodic pension cost	423,437	-	423,437
Total Non-Operating Revenue	552,453	552,349	1,104,802
Changes in Net Assets	298,053	155,021	453,074
Net Assets at Beginning of Year	19,639,478	6,134,351	25,773,829
Net Assets at End of Year	\$ 19,937,531	\$ 6,289,372	\$ 26,226,903

Dauphin County Library System

Statement of Activities (continued)

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Tax appropriations	\$ 7,012,277	\$ -	\$ 7,012,277
Contributions	551,754	146,280	698,034
Grants	181,890	161,500	343,390
In-kind contributions	199,161	126,624	325,785
Operating revenue	123,195	-	123,195
Your Place to Belong Capital Campaign	-	110,953	110,953
Net assets released from restrictions	777,120	(777,120)	-
Total Support and Revenue	8,845,397	(231,763)	8,613,634
Operating Expenses			
Library services	6,647,726	-	6,647,726
Supporting services			
Management and general	1,570,227	-	1,570,227
Fundraising	345,785	-	345,785
Total Operating Expenses	8,563,738	-	8,563,738
Net Change from Operations	281,659	(231,763)	49,896
Non-Operating Revenue			
Interest income	97,496	-	97,496
Changes in the fair value of beneficial interests held by third parties	-	118,611	118,611
Return on endowment funds held, net	52,872	493,411	546,283
Pension related changes other than net periodic pension cost	206,949	-	206,949
Total Non-Operating Revenue	357,317	612,022	969,339
Changes in Net Assets	638,976	380,259	1,019,235
Net Assets at Beginning of Year	19,000,502	5,754,092	24,754,594
Net Assets at End of Year	\$ 19,639,478	\$ 6,134,351	\$ 25,773,829

Dauphin County Library System

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2024			
	Library Services	Supporting Services		Total
		Management and General	Fundraising	
Bank fees	\$ -	\$ 7,725	\$ -	\$ 7,725
Building and equipment maintenance	568,898	63,211	-	632,109
Depreciation and amortization				
Buildings, furnishings, and equipment	736,883	47,035	-	783,918
Library materials	924,683	-	-	924,683
Vehicles	10,965	6,440	-	17,405
Employee benefits	422,736	149,042	39,553	611,331
Freight and postage	2,375	135	2,829	5,339
Insurance	54,701	16,806	374	71,881
Interest	-	80,701	-	80,701
Licensing and equipment rental	330,780	21,789	-	352,569
Memberships	37,623	14,850	-	52,473
Miscellaneous	18,244	75,505	-	93,749
Newspapers	36,625	-	-	36,625
Online loan and catalog service	28,083	-	-	28,083
Outsourcing charges	170	-	-	170
Payroll taxes	180,823	63,752	16,919	261,494
Periodicals	21,384	-	-	21,384
Printing	27,721	-	25,304	53,025
Professional fees	114,315	134,744	33,898	282,957
Program expenses	387,109	-	-	387,109
Salaries	2,429,251	856,474	227,292	3,513,017
Supplies	24,119	5,295	-	29,414
Telephone and utilities	378,293	83,040	-	461,333
Travel and training	75,383	16,548	-	91,931
Vehicles, repairs, and maintenance	21,833	10,068	-	31,901
	<u>\$ 6,832,997</u>	<u>\$ 1,653,160</u>	<u>\$ 346,169</u>	<u>\$ 8,832,326</u>

Dauphin County Library System

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2023			
	Library Services	Supporting Services		Total
		Management and General	Fundraising	
Bank fees	\$ -	\$ 7,978	\$ -	\$ 7,978
Building and equipment maintenance	537,888	59,765	-	597,653
Depreciation and amortization				
Buildings, furnishings, and equipment	746,341	47,639	-	793,980
Library materials	861,150	-	-	861,150
Vehicles	18,245	10,715	-	28,960
Employee benefits	385,412	135,884	36,061	557,357
Freight and postage	13,149	748	15,659	29,556
Insurance	54,344	16,696	371	71,411
Interest	-	128,765	-	128,765
Licensing and equipment rental	335,928	22,128	-	358,056
Memberships	27,628	10,905	-	38,533
Miscellaneous	573	2,372	-	2,945
Newspapers	23,578	-	-	23,578
Online loan and catalog service	51,348	-	-	51,348
Outsourcing charges	17,927	-	-	17,927
Payroll taxes	179,483	63,280	16,793	259,556
Periodicals	37,926	-	-	37,926
Printing	28,535	-	26,046	54,581
Professional fees	78,297	92,290	23,218	193,805
Program expenses	337,483	-	-	337,483
Salaries	2,432,936	857,773	227,637	3,518,346
Supplies	36,230	7,953	-	44,183
Telephone and utilities	333,327	73,169	-	406,496
Travel and training	76,800	16,859	-	93,659
Vehicles, repairs, and maintenance	33,198	15,308	-	48,506
	<u>\$ 6,647,726</u>	<u>\$ 1,570,227</u>	<u>\$ 345,785</u>	<u>\$ 8,563,738</u>

Dauphin County Library System

Statement of Cash Flows

	Years Ended December 31,	
	2024	2023
Cash Flows from Operating Activities		
Changes in net assets	\$ 453,074	\$ 1,019,235
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	1,726,006	1,684,090
In-kind contributions for library materials	(525)	(2,785)
Net unrealized and realized investment gains	(429,880)	(467,240)
Changes in the fair value of beneficial interests held by third parties	(68,993)	(118,611)
Contributions restricted for endowment	(6,625)	(16,557)
Contributions restricted for fixed assets	-	(104,944)
Change in unamortized discount - promises to give	(3,350)	(6,009)
In-kind contributions for beneficial interests held by third parties	-	(126,624)
Amortization of right-of-use assets, operating leases included in rent expense	59,862	48,392
(Increase) decrease in assets		
Accounts receivable	540,881	(473,826)
Prepaid expenses	(70,966)	(49,969)
Increase (decrease) in liabilities		
Accounts payable	62,503	(23,732)
Accrued payroll, vacation, payroll taxes, and withholdings	42,548	(10,429)
Operating lease liability	(59,862)	(48,392)
Defined benefit pension plan obligation	(403,652)	(147,663)
Net Cash Provided by Operating Activities	1,841,021	1,154,936
Cash Flows from Investing Activities		
Proceeds from sale of investments	178,251	166,138
Purchase of investments	(362,095)	(443,238)
Purchase of certificates of deposit - including reinvested interest	(67,629)	(184,681)
Purchase of fixed assets	(1,229,136)	(1,237,658)
Net Cash Used in Investing Activities	(1,480,609)	(1,699,439)
Cash Flows from Financing Activities		
Principal payments on finance lease liability	(9,043)	(7,432)
Principal payments on note payable	(401,560)	-
Cash received restricted for endowment	6,625	16,557
Cash received restricted for fixed assets	35,505	370,809
Net Cash Provided by (Used in) Financing Activities	(368,473)	379,934
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(8,061)	(164,569)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	1,781,373	1,945,942
Cash and Cash Equivalents and Restricted Cash at End of Year	\$ 1,773,312	\$ 1,781,373

See accompanying notes.

Dauphin County Library System

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2024	2023
Cash and Cash Equivalents and Restricted Cash is Comprised of		
Cash and cash equivalents	\$ 1,256,408	\$ 1,044,671
Restricted cash	516,904	736,702
	<u>\$ 1,773,312</u>	<u>\$ 1,781,373</u>
Supplementary Cash Flows Information		
Interest paid	<u>\$ 80,701</u>	<u>\$ 128,765</u>

Supplementary Schedule of Noncash Investing and Financing Activities

In 2024

A right-of-use asset, operating and operating lease liability of \$68,366 was recorded during the year ended December 31, 2024.

In 2023

A right-of-use asset, operating and operating lease liability of \$10,904 was recorded during the year ended December 31, 2023.

Equipment valued at \$47,219 was financed by finance leases.

Accounts payable includes \$127,933 of fixed assets.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

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 in to during its operations.

Net assets without donor restrictions include \$1,630,643 and \$1,354,900 of board-designated net assets as of December 31, 2024 and 2023, respectively. These net assets were specifically designated by the Board of Trustees to function as an endowment.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

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 fixed assets (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 support and revenue 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.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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. If collection becomes doubtful, an allowance for credit losses will be established, or the accounts will be charged to revenue when that determination is made by management. Management regularly evaluates individual accounts based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts receivable are recorded to revenue when received. At December 31, 2024 and 2023, the Library considers all accounts receivable to be fully collectible and no credit losses are expected. As such, at December 31, 2024 and 2023, no allowance for credit losses was recorded.

Promises to Give

Promises to give are stated at their outstanding balances. Promises to give are recognized when the Library is notified of the promises. The Library considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the accounts will be charged against income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off promises are recorded when received. At December 31, 2024 and 2023, the Library considers all promises to give to be fully collectible, and therefore, no allowance for uncollectible promises to give was recorded. Promises to give that are expected to be received in more than one year are discounted to present value using a risk-adjusted rate of return.

Fixed Assets

Fixed assets are recorded at cost if purchased, or at the estimated fair market value at the date of the gift, if contributed. Fixed assets are depreciated using the straight-line method over the estimated service lives of the assets. All fixed assets, other than library materials, acquired in excess of \$2,000 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. Construction in progress is stated at cost and represents costs incurred on projects which were not completed as of the date of the statement of financial position. These costs are not depreciated until the underlying assets are placed into service.

Note 2 - Summary of Significant Accounting Policies (continued)

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. Management of the Library has concluded that no impairment adjustments were required during the years ended December 31, 2024 and 2023.

Right-of-Use Assets and Liabilities

The Library records leases in accordance with ASC Topic 842, *Leases*, which requires that most leases be recognized on the statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

The Library determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Library obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Library also considers whether its service arrangements include the right to control the use of an asset.

The Library made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Library made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Donated Materials and Services

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

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. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

Endowment Funds Held

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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.

Dauphin County Library System

Notes to Financial Statements
December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Tax Status (continued)

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, 2021.

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.

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 \$29,246 and \$14,437 for the years ended December 31, 2024 and 2023, respectively.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

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:

	<u>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 1,256,408	\$ 1,044,671
Restricted cash	516,904	736,702
Accounts receivable	88,385	629,266
Promises to give, net	1,029,264	1,061,419
Certificates of deposit	1,706,227	1,638,598
Endowment funds held	<u>4,814,939</u>	<u>4,201,215</u>
Total Financial Assets	<u>9,412,127</u>	<u>9,311,871</u>
Amounts Not Available to be Used for General Expenditures Within One Year		
Purpose restricted net assets	(1,546,168)	(1,798,121)
Donor-restricted endowment funds	(3,184,296)	(2,846,315)
Board-designated endowment funds	<u>(1,630,643)</u>	<u>(1,354,900)</u>
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(6,361,107)</u>	<u>(5,999,336)</u>
Financial Assets Available to be Used for General Expenditures Within One Year	<u>\$ 3,051,020</u>	<u>\$ 3,312,535</u>

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 funds.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 3 - Liquidity and Availability (continued)

The Library's goal is generally to maintain financial assets to meet three to six months of budgeted operating expenses (approximately \$2,000,000 to \$4,000,000). 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:

	<u>2024</u>	<u>2023</u>
Other grants	\$ 190,000	\$ 74,982
E-rate program	163,277	106,908
Educational Improvement Tax Credit program	<u>151,000</u>	<u>161,500</u>
	<u>\$ 504,277</u>	<u>\$ 343,390</u>

Note 5 - Cash and Cash Equivalents and Restricted Cash

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

	<u>2024</u>	<u>2023</u>
Money market and savings	\$ 1,412,027	\$ 1,257,099
Checking	360,005	522,994
Petty cash	<u>1,280</u>	<u>1,280</u>
	<u>\$ 1,773,312</u>	<u>\$ 1,781,373</u>

Note 6 - Promises to Give

Promises to give - Your Place to Belong Capital Campaign represents funds raised for the renovation and restoration of the McCormick Riverfront Library and the Haldeman Haly House. There were no new promises to give received during the years ended December 31, 2024 and 2023. As of December 31, 2023, promises to give that were acquired during the year ended December 31, 2022, and prior, and were expected to be collected in more than one year, were discounted to present value using risk-adjusted rates of return ranging from 1.52% to 3.88%. As of December 31, 2024, the due dates for promises to give are less than one year.

Dauphin County Library System

Notes to Financial Statements
December 31, 2024 and 2023

Note 6 - Promises to Give (continued)

Promises to give consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Promises to give - Your Place to Belong Capital Campaign	\$ 1,029,264	\$ 1,064,769
Unamortized discount	-	(3,350)
	<u>\$ 1,029,264</u>	<u>\$ 1,061,419</u>
Current portion	\$ 1,029,264	\$ 1,044,075
Noncurrent portion	-	17,344
	<u>\$ 1,029,264</u>	<u>\$ 1,061,419</u>

During the years ended December 31, 2024 and 2023, one donor accounted for approximately 97% and 94% of promises to give, net, respectively.

Note 7 - Fixed Assets

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

	<u>2024</u>	<u>2023</u>
Buildings, furnishings, and equipment	\$ 28,032,198	\$ 27,832,960
Library materials	4,070,701	4,038,839
Land*	922,455	922,455
Vehicles	330,338	330,338
Construction in progress*	-	15,640
	<u>33,355,692</u>	<u>33,140,232</u>
Accumulated depreciation	<u>(15,878,334)</u>	<u>(15,048,039)</u>
	<u>\$ 17,477,358</u>	<u>\$ 18,092,193</u>

* Not depreciated

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 7 - Fixed Assets (continued)

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

	<u>2024</u>	<u>2023</u>
Cost of materials at beginning of year	\$ 4,038,839	\$ 4,017,523
Materials purchased and donated	918,130	974,418
Materials fully depreciated and deleted	<u>(886,268)</u>	<u>(953,102)</u>
	<u>\$ 4,070,701</u>	<u>\$ 4,038,839</u>

Note 8 - 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 entities 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, 2024 and 2023:

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 - Fair value of mutual funds 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.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - Fair Value Measurements (continued)

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, 2024 and 2023 because of the short maturities of those instruments.

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:

	Fair Value Measurements as of December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	<u>\$ 1,706,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,706,227</u>
Endowment Funds Held				
Cash and cash equivalents	<u>\$ 727,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,242</u>
Mutual funds - equity				
Large cap	2,096,790	-	-	2,096,790
Small/mid cap	684,801	-	-	684,801
International	185,911	-	-	185,911
Mutual funds - fixed income				
Multi-sector	432,013	-	-	432,013
High yield	326,712	-	-	326,712
Corporates	306,841	-	-	306,841
U.S. Treasuries	39,139	-	-	39,139
Mutual funds - other				
Long/short equity	8,614	-	-	8,614
Multi-strategy	6,876	-	-	6,876
Total Mutual Funds	<u>4,087,697</u>	<u>-</u>	<u>-</u>	<u>4,087,697</u>
Total Endowment Funds Held	<u>\$ 4,814,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,814,939</u>
Beneficial Interests Held by Third Parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558,908</u>	<u>\$ 1,558,908</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - Fair Value Measurements (continued)

	Fair Value Measurements as of December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of Deposit	\$ 1,638,598	\$ -	\$ -	\$ 1,638,598
Endowment Funds Held				
Cash and cash equivalents	\$ 416,623	\$ -	\$ -	\$ 416,623
Mutual funds - equity				
Large cap	1,478,304	-	-	1,478,304
Small/mid cap	690,714	-	-	690,714
International	486,374	-	-	486,374
Mutual funds - fixed income				
Multi-sector	891,532	-	-	891,532
High yield	19,967	-	-	19,967
U.S. Treasuries	39,891	-	-	39,891
Mutual funds - other				
Long/short equity	98,940	-	-	98,940
Multi-strategy	78,870	-	-	78,870
Total Mutual Funds	3,784,592	-	-	3,784,592
Total Endowment Funds Held	\$ 4,201,215	\$ -	\$ -	\$ 4,201,215
Beneficial Interests Held by Third Parties	\$ -	\$ -	\$ 1,489,915	\$ 1,489,915

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.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - Fair Value Measurements (continued)

Changes in Fair Value Levels (continued)

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. During the year ended December 31, 2023, contributions related to beneficial interest held by third parties, classified as Level 3, amounted to \$126,624. There were no contributions related to beneficial interests held by third parties during the year ended December 31, 2024. There were no other transfers in or out of Level 3 assets during the years ended December 31, 2024 and 2023.

Note 9 - Endowment Funds Held

Endowment funds held were as follows as of December 31:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 727,242</u>	<u>\$ 727,242</u>	<u>\$ 416,623</u>	<u>\$ 416,623</u>
Mutual Funds - Equity				
Large cap	2,045,231	2,096,790	1,239,416	1,478,304
Small/mid cap	580,160	684,801	548,874	690,714
International	172,763	185,911	433,925	486,374
Mutual Funds - Fixed Income				
Multi-sector	441,329	432,013	982,195	891,532
High yield	331,022	326,712	19,829	19,967
Corporates	312,241	306,841	-	-
U.S. Treasuries	39,737	39,139	39,737	39,891
Mutual Funds - Other				
Long/short equity	8,065	8,614	95,508	98,940
Multi-strategy	6,891	6,876	81,198	78,870
Total Mutual Funds	<u>3,937,439</u>	<u>4,087,697</u>	<u>3,440,682</u>	<u>3,784,592</u>
	<u>\$ 4,664,681</u>	<u>\$ 4,814,939</u>	<u>\$ 3,857,305</u>	<u>\$ 4,201,215</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 9 - Endowment Funds Held (continued)

Return on endowment funds held, net, consists of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Realized investment gains (losses)	\$ 623,531	\$ (60,243)
Dividends and interest, net	79,450	79,043
Unrealized investment gains (losses)	<u>(193,651)</u>	<u>527,483</u>
	<u>\$ 509,330</u>	<u>\$ 546,283</u>

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 fair value of beneficial interest held by third parties recorded in the Library's statement of financial position includes the following as of December 31:

	<u>2024</u>	<u>2023</u>
William Donaldson (under will)	\$ 616,890	\$ 589,592
Edith Demain	411,727	397,414
Charlotte Shuey	236,359	228,665
Bernice Lasher	128,088	126,624
Robert Hanson	103,426	88,936
Thomas Wierman	<u>62,418</u>	<u>58,684</u>
	<u>\$ 1,558,908</u>	<u>\$ 1,489,915</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 11 - Note Payable

On December 30, 2021, the Library entered into a loan agreement with M&T Bank (Bank) to finance construction costs related to the renovation and restoration of the McCormick Riverfront Library and the Haldeman Haly House. The note is a draw down note and provided for borrowings up to \$3,500,000. The Library was able to draw down the principal balance of the note in multiple advances during the construction loan period which extended from the date of the note through the date the loan converted to a permanent loan. The conversion date was the earlier of the payment due date in the calendar month that is the eighteenth month from the date of the note, or the first payment due date following the date the final advance is made to the Library. After converting to a permanent loan, interest is at a fixed rate at 2.00% above the Bank's Cost of Funds rate as of the conversion date. Monthly principal and interest payments are required. The maturity date of the loan is 240 months following the conversion date. The loan is collateralized by the properties on North Front Street (McCormick Riverfront Library and Haldeman Haly House) as well as the Library's Ethel Street property (East Shore Area Library). In June 2023, the Library entered into a loan modification agreement with M&T Bank to extend the interest only repayment period, which was originally effective on July 7, 2023, for three months before converting to permanent financing. On December 28, 2023, the loan converted to permanent financing. Beginning in January 2024, monthly principal and interest payments of \$10,826 are required. In addition to the required monthly payments, during the year ended December 31, 2024, the Library made extra principal payments totaling \$352,350. The outstanding borrowings on this loan amounted to \$1,157,647 and \$1,559,207 as of December 31, 2024 and 2023, respectively.

Future minimum maturities of note payable, assuming no changes in current terms, consist of the following for the five years ending December 31 and thereafter:

2025	\$	68,124
2026		71,436
2027		75,490
2028		79,626
2029		84,292
Thereafter		<u>778,679</u>
	\$	<u>1,157,647</u>

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 other equity securities that meet the investment strategy. The objective may also be achieved by use of alternative investments that meet the investment strategy.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 12 - Endowment Funds (continued)

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.

The Library's overall objective is to provide for current programming, while preserving the endowment's long-term value. Annually, the Board of Trustees identifies the Library's needs for access to the funds and approves the spending policy.

There is no regulatory requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absence of donor stipulations or laws to the contrary. The Library has interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, the Library has no underwater endowments as of December 31, 2024 and 2023. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

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

	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
December 31, 2022	\$ 977,028	\$ 3,724,527	\$ 4,701,555
Net Investment Return			
Interest and dividends, net	7,650	71,393	79,043
Net gain (realized and unrealized)	45,222	540,629	585,851
Contributions	325,000	143,181	468,181
Disbursements	-	(143,500)	(143,500)
December 31, 2023	1,354,900	4,336,230	5,691,130
Net Investment Return			
Interest and dividends, net	4,052	75,398	79,450
Net gain (realized and unrealized)	21,922	476,951	498,873
Contributions	249,769	6,625	256,394
Disbursements	-	(152,000)	(152,000)
December 31, 2024	\$ 1,630,643	\$ 4,743,204	\$ 6,373,847

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 13 - Net Assets

Net assets consist of the following as of December 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Funds designated by the Board of Trustees to function as an endowment	\$ 1,630,643	\$ -	\$ 1,630,643
Funds invested in perpetuity			
Endowment funds held			
Library materials and supplies	-	1,887,100	1,887,100
Operating support	-	556,811	556,811
Youth programming	-	395,630	395,630
Scholarships	-	146,518	146,518
Adult programming	-	110,273	110,273
Maintenance	-	87,964	87,964
Beneficial interests held by third parties	-	1,558,908	1,558,908
Total Endowment Net Assets	1,630,643	4,743,204	6,373,847
Purpose Restricted Net Assets			
Library materials	-	438,863	438,863
Building renovations	-	1,107,305	1,107,305
Total Purpose Restricted Net Assets	-	1,546,168	1,546,168
Net Assets Without Donor Restrictions			
Defined benefit pension reserve	1,610,522	-	1,610,522
Other	16,696,366	-	16,696,366
Total Net Assets Without Donor Restrictions	18,306,888	-	18,306,888
Total Net Assets	\$ 19,937,531	\$ 6,289,372	\$ 26,226,903

Dauphin County Library System

Notes to Financial Statements
December 31, 2024 and 2023

Note 13 - Net Assets (continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets			
Funds designated by the Board of Trustees to function as an endowment	\$ 1,354,900	\$ -	\$ 1,354,900
Funds invested in perpetuity			
Endowment funds held			
Library materials and supplies	-	1,707,750	1,707,750
Operating support	-	511,760	511,760
Youth programming	-	357,791	357,791
Scholarships	-	99,797	99,797
Adult programming	-	100,947	100,947
Maintenance	-	68,270	68,270
Beneficial interests held by third parties	-	1,489,915	1,489,915
Total Endowment Net Assets	1,354,900	4,336,230	5,691,130
Purpose Restricted Net Assets			
Library materials	-	433,607	433,607
Building renovations	-	1,364,514	1,364,514
Total Purpose Restricted Net Assets	-	1,798,121	1,798,121
Net Assets Without Donor Restrictions			
Defined benefit pension reserve	2,033,959	-	2,033,959
Other	16,250,619	-	16,250,619
Total Net Assets Without Donor Restrictions	18,284,578	-	18,284,578
Total Net Assets	\$ 19,639,478	\$ 6,134,351	\$ 25,773,829

Note 14 - Net Assets Released from Restrictions

Net assets released from donor restrictions, which include construction costs, library materials, programming, and other items amounted to \$860,248 and \$777,120 for the years ended December 31, 2024 and 2023, respectively.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

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.

The following tables set forth by level, within the fair value hierarchy (refer to Note 8), the plan's investments at fair value as of December 31:

	2024	
	Fair Value	(Level 1)
Mutual Funds		
Equity funds	\$ 2,520,945	\$ 2,520,945
Fixed income funds	1,721,435	1,721,435
	<u>\$ 4,242,380</u>	<u>\$ 4,242,380</u>
	2023	
Mutual Funds		
Equity funds	\$ 2,549,216	\$ 2,549,216
Fixed income funds	1,699,158	1,699,158
	<u>\$ 4,248,374</u>	<u>\$ 4,248,374</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Defined Benefit Pension Plan (continued)

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

	<u>2024</u>	<u>2023</u>
Change in Benefit Obligation		
Projected benefit obligation at beginning of year	\$ 5,383,726	\$ 5,489,976
Change due to change in assumptions	(239,468)	-
Interest cost	256,826	265,691
Experience (gain) loss	(25,255)	39,332
Benefit payments	(401,749)	(411,273)
Projected benefit obligation at end of year	<u>4,974,080</u>	<u>5,383,726</u>
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,248,374	4,206,961
Actual return on plan assets	395,755	452,686
Benefit payments (including assumed expenses)	(401,749)	(411,273)
Fair value of plan assets at end of year	<u>4,242,380</u>	<u>4,248,374</u>
Funded Status and Accrued Pension Liability	<u>\$ (731,700)</u>	<u>\$ (1,135,352)</u>

The Library's net assets without donor restrictions include \$1,610,522 and \$2,033,959 of net loss not yet recognized in net periodic pension expense as of December 31, 2024 and 2023, respectively. It is estimated that approximately \$86,000 of the net loss included in changes in net assets will be recognized in net periodic pension expense during the year ending December 31, 2025.

The accumulated benefit obligation amounted to \$4,974,080 and \$5,383,726 as of December 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Interest cost	\$ 256,826	\$ 265,691
Net amortization of prior service cost, transition obligation, and net loss	105,204	132,870
Expected return on plan assets	(342,245)	(339,275)
Net Periodic Pension Cost	<u>\$ 19,785</u>	<u>\$ 59,286</u>

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.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Defined Benefit Pension Plan (continued)

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:

	<u>2024</u>	<u>2023</u>
Discount rate	5.50 %	5.00 %
Expected long-term rate of return on plan assets	8.50	8.50

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:

2025	\$ 398,669
2026	387,323
2027	375,846
2028	377,149
2029	391,413
2030 to 2034	1,903,724

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.

Since the plan was amended to freeze benefit accruals on January 1, 2018, no contribution is anticipated for the year ending December 31, 2025.

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

	<u>2024</u>	<u>2023</u>
Mutual Funds		
Equity funds	59.42 %	60.00 %
Fixed income funds	40.58	40.00
	<u>100.00 %</u>	<u>100.00 %</u>

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 15 - Defined Benefit Pension Plan (continued)

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.

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 as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 1	0 %
2	20
3	40
4	60
5	80
6 or more	100

As of December 31, 2024, there were 88 active members in the defined contribution pension plan and 16 vested former members. Contributions to the plan during the years ended December 31, 2024 and 2023 totaled \$72,884 and \$77,185, respectively. At December 31, 2024 and 2023, these contributions were included in accounts payable.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

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 8.50% and 9.50% as of December 31, 2024 and 2023, respectively. There were no borrowings on the line of credit at December 31, 2024 and 2023.

Note 18 - Leases

The Library leases various operating equipment under operating leases with terms ranging from three to five years. The Library's leases generally do not contain any material restrictive covenants or residual value guarantees. The leases require monthly payments. Operating lease fixed payments totaled \$63,821 and \$51,027 for the years ended December 31, 2024 and 2023, respectively. The Library uses the applicable risk-free rate as the discount rate for its operating leases.

The Library also has operating leases for certain office equipment that are considered short-term in nature.

Additionally, during the year ended December 31, 2023, the Library entered into agreements to lease certain office equipment under finance lease agreements with terms of five years and interest rates ranging from 3.52% to 3.94%.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 63,821	\$ 51,027
Finance lease cost - amortization of right-of-use assets	9,443	8,035
Finance lease cost - interest on lease liabilities	1,313	1,385
Short-term lease cost	<u>3,213</u>	<u>14,618</u>
Total Lease Cost	<u>\$ 77,790</u>	<u>\$ 75,065</u>
Weighted-Average Remaining Lease Term		
Operating leases	2.84 Years	2.58 Years
Financing leases	3.15 Years	4.15 Years
Weighted-Average Discount Rate		
Operating leases	3.08%	2.00%
Financing leases	3.68%	3.68%

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 18 - Leases (continued)

Assuming no change in current terms, future undiscounted cash flows for each of the remaining five years and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 62,881	\$ 10,356
2026	38,316	10,356
2027	17,595	10,356
2028	16,589	1,539
2029	3,795	-
Total Lease Payment	139,176	32,607
Imputed interest	<u>(6,783)</u>	<u>(1,863)</u>
Total Present Value of Lease Liabilities	<u>\$ 132,393</u>	<u>\$ 30,744</u>
Current portion of obligations under operating and finance leases	\$ 59,730	\$ 9,382
Long-term portion of obligations under operating and finance leases	<u>72,663</u>	<u>21,362</u>
	<u>\$ 132,393</u>	<u>\$ 30,744</u>

An analysis of leased property under finance leases consists of the following as of and for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Office equipment	\$ 47,219	\$ 47,219
Accumulated amortization	<u>(17,478)</u>	<u>(8,035)</u>
	<u>\$ 29,741</u>	<u>\$ 39,184</u>
Amortization expense	<u>\$ 9,443</u>	<u>\$ 8,035</u>

In addition to the leases discussed above, the Library also has a lease agreement with a local business for office and print shop facilities, which requires no rent payments. The fair market value of the donated rent is included in licensing and equipment rental on the statement of functional expenses - by natural classification. The fair market value of the donated rent has been recorded by the Library as an in-kind contribution (refer to Note 19).

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 19 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Beneficial interests held by third parties	\$ -	\$ 126,624
Summer reading program	120,385	117,271
Rent	79,718	79,105
Library materials	525	2,785
	<u>\$ 200,628</u>	<u>\$ 325,785</u>

Beneficial interests held by third parties recognized during the year ended December 31, 2023 consist of the fair value of assets held in trusts established by donors for the benefit of the Library which 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. Beneficial interests held by third parties are reported as net assets with donor restrictions in the accompanying financial statements.

In-kind contributions related to the summer reading program consist of donated admission and game tickets to local museums and parks, as well as food coupons and free meal vouchers that are awarded to participants in the summer reading program. Contributions to the summer reading program are reported at the estimated fair value based on the value that would be paid to purchase similar products.

Donated rent recognized is comprised of donated office and print shop space. There are no associated donor restrictions related to the donated rent. In valuing the donated rent, the Library estimated the fair value based on the fair rental value that would be paid to purchase comparable space from the lessor.

Donated library materials are comprised of donated reading materials to be used in the Library's various facilities. There are no associated donor restrictions related to the donated library materials. Donated materials are reported at the estimated fair value based on the value that would be paid to purchase similar products.

In addition to the in-kind contribution amounts recorded in the financial statements, during the years ended December 31, 2024 and 2023, a substantial number of individual volunteers have donated significant amounts of time to the Library's programs and supporting services. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying financial statements.

Dauphin County Library System

Notes to Financial Statements

December 31, 2024 and 2023

Note 20 - 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 \$4,797,484 and \$5,128,101 for the years ended December 31, 2024 and 2023, respectively. In addition, the Commonwealth of Pennsylvania contributes amounts which are also determined annually. These amounts totaled \$1,759,458 and \$1,746,148 for the years ended December 31, 2024 and 2023, respectively. Also, Lower Paxton Township provided \$141,674 and \$138,028 from real estate tax assessments for the years ended December 31, 2024 and 2023, respectively. In total, during the years ended December 31, 2024 and 2023, approximately 82% and 81%, respectively, of the Library's total support and revenue consisted of these tax appropriations.

Note 21 - Subsequent Events

The Library has evaluated subsequent events through November 13, 2025. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2024 were noted.

Dauphin County Library System

Schedule of Operating and Non-Operating Support and Revenue

	Years Ended December 31,	
	2024	2023
Operating Support		
Tax Appropriations		
Dauphin County	\$ 4,797,484	\$ 5,128,101
Commonwealth of Pennsylvania	1,759,458	1,746,148
Lower Paxton Township	141,674	138,028
Total Tax Appropriations	6,698,616	7,012,277
Contributions		
Other	354,601	289,566
Funds and foundations	309,242	408,468
Total Contributions	663,843	698,034
Grants	504,277	343,390
In-Kind Contributions	200,628	325,785
Your Place to Belong Capital Campaign	3,350	110,953
Total Operating Support	8,070,714	8,490,439
Operating Revenue		
Desk receipts	56,157	56,050
Other	46,479	40,756
Negotiated services	6,420	25,397
Credit bureau	828	992
Total Operating Revenue	109,884	123,195
Total Operating Support and Revenue	\$ 8,180,598	\$ 8,613,634
Non-Operating Revenue		
Interest Income	\$ 103,042	\$ 97,496
Changes in the Fair Value of Beneficial Interests Held by Third Parties	68,993	118,611
Return on Endowment Funds Held, Net		
Unrealized investment gains (losses)	(193,651)	527,483
Dividends and interest, net	79,450	79,043
Realized investment gains (losses)	623,531	(60,243)
Total Return on Endowment Funds Held, Net	509,330	546,283
Pension Related Changes Other Than Net Periodic Pension Cost	423,437	206,949
Total Non-Operating Revenue	\$ 1,104,802	\$ 969,339