

**LOWER MERION LIBRARY SYSTEM**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**



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## INDEPENDENT AUDITORS' REPORT

Honorable Township Commissioners  
Township of Lower Merion, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying combined financial statement of the Lower Merion Library System (LMLS), Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library, which comprise the combined statement of cash and investments and cash receipts, disbursements, and investment income as of and for the year ended December 31, 2018, and the related notes to the combined financial statement.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statement in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statement, 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 combined financial statement 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 combined financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Honorable Township Commissioners  
Township of Lower Merion, Pennsylvania

***Opinion***

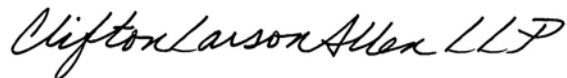
In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the combined statement of cash and investments and cash receipts, disbursements, and investment income of Lower Merion Library System, Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library as of and for the year ended December 31, 2018, in accordance with the basis of accounting as described in Note 1.

***Basis of Accounting***

As described in Note 1, this combined financial statement was prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statement as a whole. The 2018 Combining Statement of Cash and Investments and Cash Receipts, Disbursements, and Investment Income is presented for the purpose of additional analysis and is not a required part of the combined financial statement. 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 combined financial statement. The information has been subjected to the auditing procedures applied in the audit of the combined financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statement or to the combined financial statement itself, 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 combined financial statement as a whole.



**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
September 16, 2019

**LOWER MERION LIBRARY SYSTEM  
 COMBINED STATEMENT OF CASH AND INVESTMENTS AND  
 CASH RECEIPTS, DISBURSEMENTS, AND INVESTMENT INCOME  
 YEAR ENDED DECEMBER 31, 2018**

Cash and Investments Balance at January 1, 2018	\$ 2,291,040
Cash Receipts:	
Grants	249,421
Investment Income and Realized and Unrealized Gains and Losses	(98,064)
Contributions	326,459
Fines Collected/Lost Book Charges	161,097
Charges for Service	8,401
Other Income	97,537
Total Cash Receipts	744,851
Cash Expenditures:	
Books and Physical Collection Materials	467,336
Capital Outlay	19,999
Maintenance and Supplies	52,024
Public Relations and Development	102,450
Other	92,088
Integrated System	75,136
Total Cash Expenditures	809,033
Cash and Investments Balance at December 31, 2018	\$ 2,226,858

*See accompanying Notes to Combined Financial Statements.*

**LOWER MERION LIBRARY SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Lower Merion Library System (LMLS) is composed of the Ludington Library, Bala Cynwyd Library, Belmont Hills Library, Gladwyne Library, Ardmore Library, and Penn Wynne Library. The purpose of LMLS is to provide library services to area citizens.

A self-perpetuating board governs each of the six libraries within LMLS. Policy for the LMLS is set by the LMLS Board, which is made up of one representative from each of the six local library boards, one elected Lower Merion Township commissioner, one at-large member appointed by the Lower Merion Township Board of Commissioners, and three at-large members chosen from residents of the community by the LMLS Board. The accompanying combined statement of cash and investments and cash receipts, disbursements, and investment income (combined financial statement) includes the activities of each library and LMLS that are required to be reported annually to the Commonwealth of Pennsylvania. The cash and investment balances of the individual libraries are controlled by the Board of each library or in the case of LMLS by the LMLS Board. These balances include certain funds received from private donors that may include restrictions as to the timing and purpose of their use.

A majority of LMLS's funding is received from the Township of Lower Merion, Pennsylvania (the Township); however, LMLS is a legally separate entity not within the control of the Township.

The Lower Merion Library Foundation (LMLF) is a legally separate component unit of LMLS. LMLF is a not-for-profit corporation created for the purpose of raising funds to support LMLS. LMLS has not included the activities of LMLF in its combined statement of cash and investments and cash receipts, disbursements, and investment income. Transactions between LMLS and LMLF are recorded as cash receipts and cash disbursements of LMLS in its combined financial statement. The audit report of the Foundation for the fiscal year ended December 31, 2018 can be obtained at the Foundation office at the following address during normal business hours:

Lower Merion Library System Foundation  
75 East Lancaster Ave  
Ardmore, PA 19003

**Basis of Accounting**

The accompanying combined statement of cash and investments and cash receipts, disbursements, and investment income is prepared on a modified cash basis of accounting, under which revenues and expenses are recognized at the time the cash transaction occurs rather than when revenue is earned or the expense incurred, except for unrealized gain and losses on investments, which are reported when earned. Investments are recorded at fair value using exchange quoted market prices. The combined statement of cash and investments and cash receipts, disbursements, and investment income is not intended to present the financial position and results of operations of LMLS in conformity with accounting principles generally accepted in the United States of America.

**LOWER MERION LIBRARY SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Library's investments consist primarily of mutual funds, which are measured at net asset value.

**Revenues**

LMLS and the six libraries receive a substantial amount of support from the Township. Specifically, the Township directly pays salaries, employee benefits, utilities, capital costs, and other support for the libraries. The amount paid by the Township for these expenses, which is not recorded in the accompanying combined financial statement because it is not a cash receipt or disbursement of LMLS and the six libraries for the year ended December 31, 2018, was \$4,865,488. The amount paid by the Township for capital expenses, which is not recorded in the accompanying combined financial statement because it is not a cash receipt or disbursement of LMLS for the year ended December 31, 2018 was \$2,568,029.

LMLS also receives significant grant funding from the Commonwealth of Pennsylvania (the Commonwealth). Grant revenue received from the Commonwealth is included in the accompanying combined financial statement.

LMLS and the six libraries other revenues consist of a combination of fines, charges for services, printer and copier fees, miscellaneous, lost book charges, library use and rental fees, and other library-specific cash receipts.

**NOTE 2 CASH AND CASH EQUIVALENTS**

At December 31, 2018, LMLS's and the six libraries total cash and cash equivalents consisted of the following:

Checking and Savings Accounts	\$ 554,358
Money Market Accounts	217,264
Total	<u><u>\$ 771,622</u></u>

**LOWER MERION LIBRARY SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 LONG-TERM INVESTMENTS**

Long-term investments held by LMLS and the six libraries are included in the combined statement of cash and investments and cash receipts, disbursements, and investment income. Long-term investments comprise the following:

Following balances include certain funds received from private donors that may include restrictions as to the timing and purpose of their use as of December 31, 2018:

Mutual Funds, by Type:	Total	Ludington	Bala Cynwyd
Ultra Short-Term Bond	\$ 5,848	\$ -	\$ 5,848
Balanced Index Fund	39,672	-	39,672
Wellesley Income Fund	455,726	434,427	21,299
Equity Income Fund	915,418	915,418	-
500 Index Fund	38,572	-	38,572
Total	<u>\$ 1,455,236</u>	<u>\$ 1,349,845</u>	<u>\$ 105,391</u>

**NOTE 4 TAX-EXEMPT STATUS**

LMLS is incorporated as a not-for-profit corporation and is not subject to tax. The Internal Revenue Service has classified all six LMLS libraries as not-for-profit organizations, as defined in Section 501(c)(3) of the Internal Revenue Code.

**NOTE 5 INTERLIBRARY TRANSFERS**

Interlibrary transactions have been eliminated from the combined statement of cash and investments and cash receipts, disbursements, and investment income. The interlibrary transfers consisted of the following as of December 31, 2018:

	Transfers In	Transfers Out
Ludington	\$ -	\$ 180,000
Bala Cynwyd	-	110,500
Belmont Hills	-	17,147
Gladwyne	-	53,394
Ardmore	-	34,500
Penn Wynne	-	40,500
Lower Merion Library System	436,041	-
Total	<u>\$ 436,041</u>	<u>\$ 436,041</u>



**LOWER MERION LIBRARY SYSTEM**  
**SUPPLEMENTAL COMBINING STATEMENT OF CASH AND INVESTMENTS AND CASH RECEIPTS,**  
**DISBURSEMENTS, AND INVESTMENT INCOME**  
**YEAR ENDED DECEMBER 31, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Ludington	Bala Cynwyd	Belmont Hills	Gladwyne	Ardmore	Penn Wynne	Lower Merion Library System	Total
Cash and Investments Balance at January 1, 2018	\$ 1,499,461	\$ 144,240	\$ 61,994	\$ 88,040	\$ 240,738	\$ 40,202	\$ 216,365	\$ 2,291,040
Cash Receipts:								
Grants	50,366	-	-	-	675	-	198,380	249,421
*Interlibrary Transfers	-	-	-	-	-	-	436,041	436,041
Investment Income and Realized and Unrealized Gains and Losses	(106,534)	1,171	-	34	789	10	6,466	(98,064)
Contributions	79,238	84,164	12,211	70,191	37,259	43,396	-	326,459
Fines Collected/Lost Book Charges	67,676	51,399	778	9,222	11,944	19,998	80	161,097
Charges for Service	5,022	2,025	18	75	511	750	-	8,401
Other Income	59,232	18,967	2,472	12,648	3,585	633	-	97,537
Total Cash Receipts	<u>155,000</u>	<u>157,726</u>	<u>15,479</u>	<u>92,170</u>	<u>54,763</u>	<u>64,787</u>	<u>640,967</u>	<u>1,180,892</u>
Cash Expenditures:								
Books and Physical Collection Materials	2,739	22	319	377	-	64	463,815	467,336
Capital Outlay	16,835	-	-	-	785	2,379	-	19,999
*Interlibrary Transfers	180,000	110,500	17,147	53,394	34,500	40,500	-	436,041
Maintenance and Supplies	12,715	5,748	1,313	17,562	1,507	4,162	9,017	52,024
Public Relations and Development	22,455	20,784	3,058	21,470	9,645	14,653	10,385	102,450
Other	9,023	2,454	185	7,758	1,035	797	70,836	92,088
Integrated System	-	-	-	-	-	-	75,136	75,136
Total Cash Expenditures	<u>243,767</u>	<u>139,508</u>	<u>22,022</u>	<u>100,561</u>	<u>47,472</u>	<u>62,555</u>	<u>629,189</u>	<u>1,245,074</u>
Cash and Investments Balance at December 31, 2018	<u>\$ 1,410,694</u>	<u>\$ 162,458</u>	<u>\$ 55,451</u>	<u>\$ 79,649</u>	<u>\$ 248,029</u>	<u>\$ 42,434</u>	<u>\$ 228,143</u>	<u>\$ 2,226,858</u>

\*Interlibrary transactions have been eliminated on the Combined Statement of Cash and Investments and Cash Receipts, Disbursements, and Investment Income

