

ALLEGHENY COUNTY LIBRARY ASSOCIATION

AUDITED FINANCIAL STATEMENTS AND  
SELECTED FINANCIAL DATA

Years ended December 31, 2010 and 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Allegheny County Library Association

We have audited the accompanying statements of financial position of the Allegheny County Library Association as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Allegheny County Library Association as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Sisterson & Co. LLP*

April 21, 2011

ALLEGHENY COUNTY LIBRARY ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,490,876	\$ 3,348,999
Grants receivable (Note 4)	61,576	--
Other receivables	28,316	12,738
Prepaid expenses (Note 2)	--	1,610,002
Property and equipment, net (Note 5)	<u>404,632</u>	<u>419,327</u>
Total assets	<u>\$ 2,985,400</u>	<u>\$ 5,391,066</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ --	\$ 5,156
Accrued liabilities	2,140	1,679
Deferred revenue (Note 2)	<u>2,023,840</u>	<u>4,549,164</u>
Total liabilities	<u>2,025,980</u>	<u>4,555,999</u>
Net assets (Note 2)		
Unrestricted	673,545	645,918
Temporarily restricted	<u>285,875</u>	<u>189,149</u>
Total net assets	<u>959,420</u>	<u>835,067</u>
Total liabilities and net assets	<u>\$ 2,985,400</u>	<u>\$ 5,391,066</u>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended December 31, 2010		Year ended December 31, 2009			
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b>Support and revenue</b>						
Regional Asset District grant	\$ 155,000	\$ 5,445,000	\$ 5,600,000	\$ 155,000	\$ 5,445,000	\$ 5,600,000
State library aid support	400,004	4,242,434	4,642,438	473,554	5,693,942	6,167,496
County, local and other support	12,025	77,388	89,413	10,000	256,883	266,883
Grants (Note 4)	29,101	286,946	316,047	23,500	66,410	89,910
Program fees	--	78,306	78,306	--	81,443	81,443
Interest and other income	54,790	694	55,484	127,155	8,691	135,846
Net assets released from restrictions	10,034,042	(10,034,042)	--	11,714,970	(11,714,970)	--
<b>Total support and revenue</b>	<b>10,684,962</b>	<b>96,726</b>	<b>10,781,688</b>	<b>12,504,179</b>	<b>(162,601)</b>	<b>12,341,578</b>
<b>Expenses</b>						
Regional Asset District distributions	5,175,000	--	5,175,000	5,175,000	--	5,175,000
State library aid distributions	4,163,416	--	4,163,416	5,203,744	--	5,203,744
Access PA distributions	--	--	--	317,131	--	317,131
Other distributions	--	--	--	37,315	--	37,315
<b>Total distributions</b>	<b>9,338,416</b>	<b>--</b>	<b>9,338,416</b>	<b>10,733,190</b>	<b>--</b>	<b>10,733,190</b>
Grant expense (Note 4)	177,706	--	177,706	116,877	--	116,877
Personnel expenses	697,994	--	697,994	982,637	--	982,637
Rent and occupancy expenses	100,232	--	100,232	96,126	--	96,126
Other program and operating expenses	342,987	--	342,987	575,595	--	575,595
<b>Total program and operating expenses</b>	<b>1,318,919</b>	<b>--</b>	<b>1,318,919</b>	<b>1,771,235</b>	<b>--</b>	<b>1,771,235</b>
<b>Total expenses</b>	<b>10,657,335</b>	<b>--</b>	<b>10,657,335</b>	<b>12,504,425</b>	<b>--</b>	<b>12,504,425</b>
Increase (decrease) in net assets	27,627	96,726	124,353	(246)	(162,601)	(162,847)
Net assets, beginning of year	645,918	189,149	835,067	646,164	351,750	997,914
<b>Net assets, end of year</b>	<b>\$ 673,545</b>	<b>\$ 285,875</b>	<b>\$ 959,420</b>	<b>\$ 645,918</b>	<b>\$ 189,149</b>	<b>\$ 835,067</b>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 124,353	\$ (162,847)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	20,400	22,500
Write-off of grant receivable	--	75,000
Increase (decrease) in cash from changes in		
Grants receivable	(61,576)	100,000
Other receivables	(15,578)	29,395
Prepaid expenses	1,610,002	(1,605,002)
Accounts payable	(5,156)	(3,992)
Accrued liabilities	461	440
Deferred revenue	(2,525,324)	4,409,640
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	(852,418)	2,865,134
Cash flows from investing activities		
Purchases of property and equipment	(5,705)	--
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash and cash equivalents	(858,123)	2,865,134
Cash and cash equivalents, beginning of year	<u>3,348,999</u>	<u>483,865</u>
Cash and cash equivalents, end of year	<u>\$ 2,490,876</u>	<u>\$ 3,348,999</u>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF ALLEGHENY COUNTY LIBRARY ASSOCIATION

The mission of the Allegheny County Library Association (“Association”) states: “Allegheny County Library Association, a federated library system, pursues, provides and promotes the highest quality public library service possible for all residents of Allegheny County through collaboration, cooperation, and coordination.” The current strategic plan cites goals that include improving library performance, increasing collaboration among libraries and expanding access to library service countywide.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Under accounting principles generally accepted in the United States of America, the Association is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets

Unrestricted net assets are not subject to donor-imposed stipulations; however, unrestricted net assets include \$100,000 of Board designated funds at December 31, 2010 and 2009 for member library disbursements.

Temporarily restricted net assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2010</u>	<u>2009</u>
Mobile Library Services	\$ 148,204	\$ 141,495
Program grants	85,039	8,840
Member library distributions	35,505	12,737
Knowledge Connections	<u>17,127</u>	<u>26,077</u>
	<u>\$ 285,875</u>	<u>\$ 189,149</u>

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently with the use of all or part of the income earned on any related investments for general or specific purposes. At December 31, 2010 and 2009, the Association had no permanently restricted net assets.

Cash and cash equivalents

Cash and cash equivalents maintained at a financial institution may, from time to time, exceed insured limits. The Association does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

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

Grants receivable

Grants receivable are recognized as revenues and assets in the period the promises to give are acknowledged. Conditional grants receivable, if any, are not recognized until the conditions on which the grants depend are substantially met.

Property and equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. Expenditures which significantly increase asset value or extend the useful lives of property and equipment are capitalized. When an asset is sold or retired, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in income.

The value and composition of the library book collection for the Mobile Library Services program is reviewed on an annual basis to determine if a write-down in value is necessary. Annual depreciation is not charged to operations and new book additions are expensed as incurred.

Prepaid expenses

Prepaid expenses of \$1,610,002 at December 31, 2009 represents funds received from the Pennsylvania Office of Commonwealth Libraries ("Commonwealth") for 2010 member library distributions, which were disbursed in advance to a member library during 2009. No member library distributions for 2011 were made in advance during 2010.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Deferred revenue of \$2,023,840 and \$4,536,170 at December 31, 2010 and 2009, respectively, represents funds received from the Commonwealth and interest accrued for 2010 member library distributions, mobile library services expenses, and system services expenses.

Deferred revenue of \$12,994 at December 31, 2009 represents program fees received from various organizations for mobile library services and system services that were performed in 2010.

Distributions

Expenses include \$9,338,416 and \$10,695,875 for 2010 and 2009, respectively, that are distributions made in accordance with formulas and usage calculations recommended by the Association and approved by the Allegheny Regional Asset District ("RAD") and/or the Commonwealth.

Expenses also include a distribution of \$37,315 made to the Robinson Township Library during 2009, at the conclusion of the management services agreement between the Association and the Robinson Township Library. All funds received by the Association for purposes of managing the Robinson Township Library have been disbursed as of December 31, 2009.

Fundraising expenses

The Association's fundraising expenses are not accounted for separately and are included in other program and operating expenses in the statements of activities and changes in net assets. Direct costs of fundraising are estimated to be approximately \$12,000 and \$11,000 for the years ended December 31, 2010 and 2009, respectively.

Income taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; however, the Association is obligated to pay income tax on its unrelated business income (as defined), if any. The Association had no unrelated business income for the years ended December 31, 2010 and 2009. As a not-for-profit organization, the Association is required to file federal tax returns annually. These returns may be selected for examination by the Internal Revenue Service, subject to a statute of limitations, to determine whether or not the Association has properly maintained its tax-exempt status. The Association's tax returns for years 2007 and beyond remain subject to examination by the Internal Revenue Service.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts previously reported in the 2009 financial statements have been reclassified for comparative purposes.

NOTE 3 - ECONOMIC DEPENDENCY

The RAD supports the Association and the system of public libraries in Allegheny County using funds from the Allegheny County sales and use tax fund. The RAD, which provided the Association with 52% and 45% of its total support and revenue in 2010 and 2009, respectively, is authorized to provide financial support to regional assets. The Allegheny County library system is designated as a regional asset.

The RAD funding is provided to the Association through a Cooperation and Support Agreement (“Agreement”) between both parties. This Agreement states that RAD will disburse through 2014 at least \$5,000,000 annually to the Association which will, in turn, re-distribute portions of those funds, less administrative expenses, to each participating public library in Allegheny County in accordance with a basic distribution plan.

The Agreement provides for reductions in the minimum funding allocation in the event that RAD does not receive adequate revenues generated from the regional sales and use tax. The Agreement also includes various conditions that the Association must satisfy in order to maintain its grant funding.

In addition, a significant portion of the Association’s support is from the Commonwealth. Future support is subject to reconsideration and adjustment by the Commonwealth on an annual basis.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - GRANTS

Grants receivable were \$61,576 and \$0 at December 31, 2010 and 2009, respectively. All grants receivable at December 31, 2010 are expected to be received within one year. Sources of grants revenue consist of the following:

	<u>2010</u>	<u>2009</u>
Library Services and Technology Act (Member libraries)	\$ 98,196	\$ 27,600
Library Services and Technology Act (Self checkout modules)	90,000	--
Pittsburgh Foundation (Energy audit)	75,000	--
Department of Community and Economic Development (Mobile Library Services)	17,000	--
PNC Charitable Trust (Summer Reading)	10,000	--
American Eagle Outfitters Foundation (Summer Reading)	7,000	--
Laurel Foundation (Training center equipment)	5,000	--
Dollar Bank Foundation (One Book One Community)	5,000	--
Verizon (Summer Reading)	5,000	5,000
Other	3,851	3,750
Library Services and Technology Act (Wireless equipment)	--	14,400
Department of Community and Economic Development (Robinson Township Library)	--	10,000
Comcast Foundation (One Book One Community)	--	10,000
Americans for Libraries Council (Lifelong learning)	--	8,000
Buncher Family Foundation (Training center equipment)	--	6,160
Dollar Bank Foundation (Summer Reading)	--	5,000
	<u>\$ 316,047</u>	<u>\$ 89,910</u>

Total grant expense incurred for 2010 and 2009 was \$177,706 and \$116,877, respectively.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 70,614	\$ 64,909
Vehicles	161,355	161,355
Library book collection for Mobile Library Services	<u>365,000</u>	<u>365,000</u>
	596,969	591,264
Less: accumulated depreciation	<u>(192,337)</u>	<u>(171,937)</u>
	<u>\$ 404,632</u>	<u>\$ 419,327</u>

NOTE 6 - OPERATING LEASE COMMITMENTS

The Association leases its office space under an operating lease that expires December 31, 2012. The lease agreement provides for monthly rent payments, plus the obligation to pay insurance, real estate taxes, and utilities on the office space.

The Association also leases space for Mobile Library Services under an operating lease that expires July 1, 2012. The Association has the option to exercise two five-year renewal options.

The Association also leases computers and servers from eiNetwork, a related party, for administrative and program use.

Total rental expense charged to operations for 2010 and 2009 was \$120,908 and \$133,580, respectively.

Future minimum lease payments at December 31, 2010, are as follows:

2011	\$ 113,913
2012	69,684
2013	<u>266</u>
	<u>\$ 183,863</u>

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 7 - SYSTEM SERVICES

System services includes library development, consortium services and marketing and advocacy. Library development includes providing library management and operations consulting, providing grant writing consulting, providing continuing education programs and information and resources for library staff and trustees, and providing professional development opportunities. Consortium services includes providing countywide programs in libraries, representing consortium interests on countywide committees, generating and analyzing data for countywide initiatives, and training and assisting libraries with Commonwealth and RAD reports. Marketing and advocacy includes educating state and county elected officials and library stakeholders, providing tools and supporting libraries with local funders, increasing public awareness regarding value of library services, and providing tools to assist libraries in local marketing. Of the total system services expense at December 31, 2010 of \$412,321, consortium services totaled \$242,301, library development totaled \$109,892, and marketing and advocacy totaled \$60,128.

NOTE 8 - RETIREMENT PLAN

The Association maintains a 403(b) retirement plan covering substantially all full-time employees who have attained the age of 21. Participants can contribute up to 15% of their compensation, subject to Internal Revenue Code limitations on maximum annual contributions. The Association contributes an annual amount equal to 7% of base salary to each eligible employee's 403(b) account. Employees must voluntarily contribute at least 2% of base salary to be eligible to receive the Association's contribution. The Association may also make discretionary contributions to the Plan. During 2010 and 2009, the Association made contributions to the Plan of \$32,510 and \$42,677, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Association leases computers and servers from eiNetwork for use in its operations. The eiNetwork is a separate non-profit organization with two members, the Association and the Carnegie Library of Pittsburgh ("CLP"). The purpose of eiNetwork is to maintain and support the electronic information computer network that holds the Allegheny County library system's online catalog and reference materials. The respective boards of the Association and the CLP each appoint four members to eiNetwork's eight-member board of directors.

ALLEGHENY COUNTY LIBRARY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 10 - SUBSEQUENT EVENTS

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 21, 2011, the date on which the financial statements were available to be issued.

SELECTED FINANCIAL DATA

INDEPENDENT AUDITOR'S REPORT ON SELECTED FINANCIAL DATA

To the Board of Directors of the  
Allegheny County Library Association

Our report on the audits of the basic financial statements of the Allegheny County Library Association for the years ended December 31, 2010 and 2009 appears on page 1. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The selected financial data which appears on pages 15 to 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sisterson & Co. LLP*

April 21, 2011

ALLEGHENY COUNTY LIBRARY ASSOCIATION

SCHEDULE OF TOTAL FORMULA-BASED DISTRIBUTIONS

Year ended December 31, 2010

<u>Library</u>	<u>RAD Basic Distribution</u>	<u>State Aid</u>	<u>Total</u>
Andrew Bayne Memorial Library	\$ 68,104	\$ 30,223	\$ 98,327
Andrew Carnegie Public Library	68,110	30,762	98,872
Avalon Public Library	53,365	9,743	63,108
Baldwin Borough Public Library	82,437	65,226	147,663
Bethel Park Public Library	225,979	116,690	342,669
Braddock Carnegie Library	68,161	31,458	99,619
Brentwood Library	103,619	37,857	141,476
Bridgeville Public Library	41,344	20,352	61,696
C.C. Mellor Memorial Library	77,648	72,752	150,400
Carnegie Free Library of Swissvale	52,698	40,807	93,505
Carnegie Library of Homestead	82,903	61,307	144,210
Carnegie Library of McKeesport	224,130	199,462	423,592
Carnegie Library of Pittsburgh	--	1,611,528	1,611,528
Clairton Public Library	55,522	17,347	72,869
Community Library of Allegheny Valley	94,407	83,174	177,581
Community Library of Castle Shannon	73,753	31,332	105,085
Coraopolis Memorial Library	47,923	26,761	74,684
Crafton Public Library	51,260	23,113	74,373
Dormont Public Library	56,079	33,892	89,971
FOR Sto-Rox Library	44,858	21,329	66,187
Green Tree Public Library	71,811	18,227	90,038
Hampton Community Library	66,210	27,383	93,593
Jefferson Hills Public Library	64,996	33,521	98,517
Lauri Ann West Memorial Library	133,531	103,972	237,503
Monroeville Public Library	266,614	114,957	381,571
Moon Township Public Library	104,314	70,620	174,934
Mt. Lebanon Public Library	377,693	114,885	492,578
North Versailles Public Library	43,053	18,151	61,204
Northern Tier Regional Library	151,093	59,882	210,975
Northland Public Library	471,012	275,647	746,659
Oakmont Carnegie Library	70,660	25,713	96,373
Penn Hills Library	234,696	156,392	391,088
Pleasant Hills Public Library	71,871	30,790	102,661
Plum Borough Community Library	83,161	40,960	124,121
Robinson Township Library	64,507	--	64,507
Scott Township Library	71,677	27,040	98,717
Sewickley Public Library	192,863	47,763	240,626
Shaler North Hills Library	222,182	103,750	325,932
South Fayette Township Library	53,915	19,804	73,719
South Park Township Library	116,942	51,090	168,032
Springdale Free Public Library	42,226	17,641	59,867
Upper St. Clair Library	220,810	70,582	291,392
Western Allegheny Community Library	75,672	50,099	125,771
Whitehall Public Library	137,598	51,445	189,043
Wilkinsburg Public Library	193,593	67,987	261,580
	\$ 5,175,000	\$ 4,163,416	\$ 9,338,416

ALLEGHENY COUNTY LIBRARY ASSOCIATION

SCHEDULE OF GRANT, PERSONNEL, RENT AND OCCUPANCY, AND OTHER PROGRAM AND OPERATING EXPENSES BY PROGRAM

Year ended December 31, 2010 and 2009

	Unrestricted			Temporarily Restricted					Total
	Administration	System Services	Member Library Distributions	Program Grants	Knowledge Connections	Mobile Library Services	Robinson Township		
<u>Year ended December 31, 2010</u>									
Grant expense	\$ --	\$ --	\$ 73,904	\$ 103,802	\$ --	\$ --	\$ --	\$ --	\$ 177,706
Personnel expenses	181,242	202,717	--	--	36,245	277,790	--	--	697,994
Rent and occupancy expenses	5,936	28,046	--	--	--	66,250	--	--	100,232
Other program and operating expenses	23,791	181,558	--	--	21,725	115,913	--	--	342,987
	<u>\$ 210,969</u>	<u>\$ 412,321</u>	<u>\$ 73,904</u>	<u>\$ 103,802</u>	<u>\$ 57,970</u>	<u>\$ 459,953</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,318,919</u>
<u>Year ended December 31, 2009</u>									
Grant expense	\$ --	\$ --	\$ 20,982	\$ 20,895	\$ 75,000	\$ --	\$ --	\$ --	\$ 116,877
Personnel expenses	188,339	248,817	--	--	120,293	307,003	118,185	--	982,637
Rent and occupancy expenses	9,713	22,663	--	--	6,333	57,417	--	--	96,126
Other program and operating expenses	66,273	260,553	--	--	40,651	129,630	78,488	--	575,595
	<u>\$ 264,325</u>	<u>\$ 532,033</u>	<u>\$ 20,982</u>	<u>\$ 20,895</u>	<u>\$ 242,277</u>	<u>\$ 494,050</u>	<u>\$ 196,673</u>	<u>\$ --</u>	<u>\$ 1,771,235</u>

