



# **Library System of Lancaster County**

Years Ended December 31, 2019 and 2018



# **Library System of Lancaster County**

## **Financial Statements with Supplementary Information**

Years Ended December 31, 2019 and 2018

### **TABLE of CONTENTS**

	Page
<b>Independent Auditors' Report</b>	1 & 2
<b>Financial Statements</b>	
Statements of Financial Position	3 & 4
Statements of Activities	5 & 6
Statements of Functional Expenses	7 & 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 18
<b>Supplementary Information</b>	
Analysis of State and County Funding to Member Libraries	19



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Library System of Lancaster County**  
Lancaster, Pennsylvania

We have audited the accompanying financial statements of **Library System of Lancaster County** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of **Library System of Lancaster County** as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of **Library System of Lancaster County** as of December 31, 2018, were audited by other auditors whose report dated May 24, 2019, expressed an unmodified opinion on those statements.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The analysis of state and county funding to member libraries on page 19 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared 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.



September 21, 2020

Lancaster, Pennsylvania

# Library System of Lancaster County

## STATEMENTS of FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,445,198	\$ 1,173,459
Accounts Receivable	112,749	129,344
Prepaid Expenses	125,561	149,827
Short-Term Investments	<u>50,000</u>	<u>160,000</u>
<b>Total Current Assets</b>	<b>1,733,508</b>	<b>1,612,630</b>
<b>PROPERTY and EQUIPMENT</b>		
Furniture and Equipment	476,424	559,009
Vehicles	172,782	152,603
Leasehold Improvements	<u>158,768</u>	<u>151,555</u>
	807,974	863,167
Less: Accumulated Depreciation	<u>(499,735)</u>	<u>(581,546)</u>
<b>Property and Equipment, net</b>	<b>308,239</b>	<b>281,621</b>
<b>OTHER ASSETS</b>		
Security Deposit	4,718	4,718
Long-Term Investments	<u>-0-</u>	<u>50,000</u>
<b>Total Other Assets</b>	<b><u>4,718</u></b>	<b><u>54,718</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,046,465</u></b>	<b><u>\$ 1,948,969</u></b>

See notes to financial statements.

# Library System of Lancaster County

## STATEMENTS of FINANCIAL POSITION

(Continued)

December 31, 2019 and 2018

	2019	2018
<b>LIABILITIES and NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 35,921	\$ 53,978
Accrued Wages	41,774	11,263
Current Portion of Capital Lease Obligation	21,625	15,938
Accrued Expenses	2,412	6,688
Deferred Revenue	53,588	32,459
Due to Member Libraries Fundraisers	2,607	5,607
Due to Council of Friends	50	3,564
	<u>157,977</u>	<u>129,497</u>
<b>Total Current Liabilities</b>	<b>157,977</b>	<b>129,497</b>
<b>Long-Term Liabilities</b>		
Capital Lease Obligation, less Current Portion	<u>63,108</u>	<u>50,469</u>
<b>TOTAL LIABILITIES</b>	<b>221,085</b>	<b>179,966</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	1,775,265	1,712,118
With Donor Restrictions	<u>50,115</u>	<u>56,885</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,825,380</u></b>	<b><u>1,769,003</u></b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b><u>\$ 2,046,465</u></b>	<b><u>\$ 1,948,969</u></b>

See notes to financial statements.

# Library System of Lancaster County

## STATEMENTS of ACTIVITIES

Years Ended December 31, 2019 and 2018

	Net Assets Without		Net Assets With		Total
	Donor Restrictions		Donor Restrictions		
	2019	2018	2019	2018	2018
<b>SUPPORT and REVENUE</b>					
<b>State Funding</b>					
Quality Aid	\$ 615,959	\$ 615,959	\$	\$ 615,959	\$ 615,959
Excellence Aid	702,440	702,440		702,440	702,440
County Coordination Aid	227,645	227,645		227,645	227,645
Equal Grant Aid	32,517	32,517		32,517	32,517
District Consultant	<u>16,155</u>			<u>16,155</u>	
<b>Total State Funding</b>	<b>1,594,716</b>	<b>1,578,561</b>		<b>1,594,716</b>	<b>1,578,561</b>
<b>County Funding</b>					
<b>Total State and County Funding</b>	<b>1,993,740</b>	<b>1,993,739</b>		<b>1,993,740</b>	<b>1,993,739</b>
Less: Disbursements to Member Libraries	<u>3,588,456</u>	<u>3,572,300</u>		<u>3,588,456</u>	<u>3,572,300</u>
	<u>(1,528,167)</u>	<u>(1,511,167)</u>		<u>(1,528,167)</u>	<u>(1,511,167)</u>
<b>State and County Funding Retained by the System</b>	<b>2,060,289</b>	<b>2,061,133</b>		<b>2,060,289</b>	<b>2,061,133</b>
<b>Grants</b>	<b>208,628</b>	<b>214,865</b>		<b>208,628</b>	<b>214,865</b>
<b>Other Revenue</b>	<b>85,351</b>	<b>79,848</b>	<b>304</b>	<b>3,485</b>	<b>83,333</b>
<b>Net Assets Released from Restrictions</b>	<u>7,074</u>	<u>75,685</u>	<u>(7,074)</u>	<u>(75,685)</u>	<u>-0-</u>
<b>Total Support, Revenue, and Release from Restrictions</b>	<b>\$ 2,361,342</b>	<b>\$ 2,431,531</b>	<b>\$ (6,770)</b>	<b>\$ (72,200)</b>	<b>\$ 2,359,331</b>

See notes to financial statements.

# Library System of Lancaster County

## STATEMENTS of ACTIVITIES

(Continued)

Years Ended December 31, 2019 and 2018

	Net Assets Without		Net Assets With		Total
	Donor Restrictions		Donor Restrictions		
	2019	2018	2019	2018	2018
<b>FUNCTIONAL EXPENSES</b>					
Program Services	\$ 1,947,383	\$ 1,768,437	\$	\$	\$ 1,768,437
Management and General	323,494	381,049			381,049
Fundraising	<u>27,318</u>	<u>28,122</u>			<u>28,122</u>
<b>Total Functional Expenses</b>	<u><b>2,298,195</b></u>	<u><b>2,177,608</b></u>	<u><b>-0-</b></u>	<u><b>-0-</b></u>	<u><b>2,177,608</b></u>
<b>CHANGES in NET ASSETS</b>					
Beginning of Year	1,712,118	1,458,195	56,885	129,085	1,587,280
<b>End of Year</b>	<u><b>\$ 1,775,265</b></u>	<u><b>\$ 1,712,118</b></u>	<u><b>\$ 50,115</b></u>	<u><b>\$ 56,885</b></u>	<u><b>\$ 1,825,380</b></u>
			<b>56,377</b>	<b>(72,200)</b>	<b>181,723</b>
<b>NET ASSETS</b>					
Beginning of Year	1,712,118	1,458,195	56,885	129,085	1,587,280
<b>End of Year</b>	<u><b>\$ 1,775,265</b></u>	<u><b>\$ 1,712,118</b></u>	<u><b>\$ 50,115</b></u>	<u><b>\$ 56,885</b></u>	<u><b>\$ 1,825,380</b></u>

See notes to financial statements.



**Library System of Lancaster County**  
 STATEMENT of FUNCTIONAL EXPENSES  
 Years Ended December 31, 2019 and 2018

	Program Services		Management and General		Fundraising		Total
	2019	2018	2019	2018	2019	2018	
<b>Personnel</b>							
Salaries and Wages	\$ 839,271	\$ 702,119	\$ 175,556	\$ 227,700	\$ 17,837	\$ 18,971	\$ 948,790
Employee Benefits	198,760	172,238	55,861	49,873	5,196	4,655	226,766
<b>Collection Expenses</b>							
Books	23,013	11,048					23,013
Subscriptions	1,412	1,580					1,412
Overdrive Subscription	8,000	8,000					8,000
Audio Visual	1,920	2,737					1,920
Computer Service Fees	54,937	44,806					54,937
Interment Access Fees	222,100	232,500					222,100
Collection Processing	85,040	85,390					85,040
<b>Operating Overhead</b>							
Property and Vehicles	30,247	24,263	7,788	17,854	709	874	42,991
Rent	67,650	78,373	18,952	8,708	1,717		88,319
Postage and Shipping	4,719	3,687	254	1,843	102	617	6,147
Supplies	4,439	3,914	1,248	1,508	116	2,949	8,371
Accounting Services			26,361	16,497			26,361
Legal Services			338	428			338
Other Contracted Services	12,276	18,843	2,178	5,920	7		14,461
Miscellaneous Operating	\$ 850	\$ 8	\$ 3,438	\$ 4,862	\$	\$ 56	\$ 4,288

See notes to financial statements.

# Library System of Lancaster County

## STATEMENTS of FUNCTIONAL EXPENSES

(Continued)

Years Ended December 31, 2019 and 2018

	Program Services		Management and General		Fundraising		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Program and Services</b>								
Computer Expenses	\$ 197,532	\$ 204,804	\$ 4,733	\$	\$ 930	\$	\$ 203,195	\$ 204,804
Bookmobile	22,490	10,387					22,490	10,387
Be Ready Rover	14,181						14,181	-0-
Supplies	29,724	28,728					29,724	28,728
Telephone	10,026	9,245					10,026	9,245
Public Relations	2,706	3,959	305		28		3,039	3,959
Library Programs	42,797	28,069			648		43,445	28,069
Travel and Conferences	10,707	5,460	2,149				12,856	5,460
Dues, Memberships and Events	3,544	2,054	886				4,430	2,054
Training and Development	3,841	8,734	972		28		4,841	8,734
Miscellaneous		26	8,675				8,675	26
<b>Local Grant Expense</b>	<u>55,201</u>	<u>77,465</u>	<u>13,800</u>	<u>45,856</u>			<u>69,001</u>	<u>77,465</u>
<b>Depreciation Expense</b>								
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 1,947,383</u>	<u>\$ 1,768,437</u>	<u>\$ 323,494</u>	<u>\$ 381,049</u>	<u>\$ 27,318</u>	<u>\$ 28,122</u>	<u>\$ 2,298,195</u>	<u>\$ 2,177,608</u>

See notes to financial statements.

# Library System of Lancaster County

## STATEMENTS of CASH FLOW

Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS from OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 56,377	\$ 181,723
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	69,001	45,856
(Increase) Decrease in:		
Accounts Receivable	16,595	30,542
Prepaid Expenses	24,266	26,398
Increase (Decrease) in:		
Accounts Payable	(18,057)	(15,799)
Accrued Wages	30,511	(2,092)
Accrued Expenses	(4,276)	1,952
Deferred Revenue	21,129	6,468
Due to Member Libraries Fundraisers	(3,000)	(150)
Due to Council of Friends	<u>(3,514)</u>	<u>1,761</u>
<b>Net Cash Provided by Operating Activities</b>	<b>189,032</b>	<b>276,659</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(63,298)	(94,926)
Proceeds from Sale of Investments	<u>160,000</u>	<u>44,177</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>96,702</b>	<b>(50,749)</b>
<b>CASH FLOWS from FINANCING ACTIVITIES</b>		
Payments on Capital Lease	<u>(13,995)</u>	<u>(13,280)</u>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>271,739</b>	<b>212,630</b>
<b>CASH and CASH EQUIVALENTS</b>		
Beginning	<u>1,173,459</u>	<u>960,829</u>
Ending	<b><u>\$ 1,445,198</u></b>	<b><u>\$ 1,173,459</u></b>
<b>SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION</b>		
Assets Acquired/Capitalized and Financed by Capital Leases	32,318	79,687
Cash Paid for Interest	6,673	3,884

See notes to financial statements.

# Library System of Lancaster County

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The **Library System of Lancaster County** (the Organization) was incorporated in Pennsylvania in 1987. The Organization was established to directly receive and distribute funds and to provide services to all local public libraries in Lancaster County. In addition, the Organization is responsible for planning and overseeing long-range programs and the development of public library services in Lancaster County.

#### Basis of Accounting

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).

#### Basis of Presentation

The financial statements of the Organization have been presented in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

**Net Assets With Donor Restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Contributions and Donated Materials and Services

Support that is restricted by the donor is reported as an increase in net assets - without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets - with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets - with donor restrictions are reclassified to net assets - without donor restriction and reported in the financial statements.

Contributed property and equipment are recorded at fair value at the date of donation.

No amounts have been reflected in the financial statements for contributed services because they do not meet the criteria established by the FASB ASC topic relating to Donated Services. However, board and committee members and volunteers have donated significant amounts of their time to the Organization.

#### Grants and State and County Funding

The Organization accounts for grant and government funding as conditional contributions in the statements of activities. Revenue is recognized when expenses have been incurred for the purpose specified by the grantor or funding resource during the period. All funds not expended in accordance with the grants are recorded as deferred revenue until such barriers are met.

# Library System of Lancaster County

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - 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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The Organization estimates relate primarily to depreciation, which is based on estimated useful lives, and the functional allocation of expenses for the statements of functional expenses.

#### Functional Expenses

The costs of providing Organization programs and supporting services has been summarized on a functional basis in the statements of activities. Certain expenses are charged directly to program or supporting services based on specific identification. Indirect expenses have been allocated by management based on reasonable allocation methods. Such allocations are determined by management on an equitable basis according to the following methods of allocation:

Expense	Method of Allocation
Personnel	Time and Effort
Operating Overhead	Full Time Equivalent
Programs and Services	Direct Allocation
Local Grant Expenses	Direct Allocation
Depreciation	Direct Allocation

#### Inexhaustible Collections and Books

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Organization has not capitalized them and does not sell these items. Books used in the circulating libraries have not been capitalized because their estimated useful lives are unable to be reasonably estimated.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, with the exception of certificates of deposit.

#### Investments

Investments are carried at fair value in the statements of financial position in accordance with FASB ASC Topic 958, *Not-For-Profit Entities*. Gains and losses on investments are required to be reported in the statements of activities as increases or decreases in net assets without donor restrictions unless restrictions are stipulated by the donor or by law. Contributed investments are recorded as a contribution at the fair value on the date received.

#### Fair Value Measurement

The Organization has adopted FASB ASC Topic 820, *Fair Value Measurement*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

# Library System of Lancaster County

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounts Receivable

It is the Organization's policy to record an allowance for doubtful accounts based on management's assessment of the collectability of specific balances and the aging of accounts receivable. Management has determined that no valuation allowance for uncollectible accounts is required as of December 31, 2019 and 2018.

#### Property and Equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as contributions at fair value at the date of gift. Assets that cost \$2,500 or more and have a useful life greater than one year are capitalized. The cost of books is expensed when purchased. Depreciation is provided on the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 - 10 Years
Vehicles	5 Years
Leasehold Improvements	10 - 40 Years

#### Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred.

#### Compensated Absences

The Organization maintains a leave time policy in which employees can accrue earned leave time. Employees may carry over a maximum of half their annual eligibility of unused vacation time to the next year. The maximum amount that could be carried over by any employee is 12.5 days. Employees will be compensated for their balance of accrued vacation time upon voluntary termination or retirement. Employees may also carry over a maximum 975 hours of earned sick leave and are eligible, upon retirement, to receive payment of half their sick leave balance, up to 20 days.

It is the Organization's policy to record an accrued liability for material compensated absences. The recorded liability for compensated absences was \$27,249 and \$-0- as of December 31, 2019 and 2018.

#### Tax Status and Uncertain Tax Positions

The Organization is exempt from taxation as provided by Code Section 501(c)(3) of the Internal Revenue Code (the Code). Section 501(c)(3) defines the exempt organization as being "organized and operated for religious, charitable, scientific, testing for public safety, literacy or educational purposes, or the prevention of cruelty to children or animals." In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation, within the meaning of Section 509(a) of the Code.

The Organization is not aware of any unrelated business income that would be subject to taxation. Accordingly, the Internal Revenue Service Form 990-T will not be filed. The Organization follows the provisions of ASC Topic 740, *Income Taxes*, and is not aware of any uncertain tax positions, and accordingly, no corresponding liability, including penalties and interest, has been recorded in the accompanying financial statements.

## Library System of Lancaster County

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Accounting Standards Adopted in 2019

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions. This update is effective for the year ended December 31, 2019. The Organization has adjusted the presentation of these statements accordingly.

##### Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for the year ending December 31, 2020. The Organization is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The main difference between currently effective GAAP and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. This update is effective for the year ending December 31, 2022. The Organization is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

##### Reclassification

Certain prior year amounts have been reclassified to conform to the current year financial statements presentation. These reclassifications had no effect on previously reported net assets.

#### NOTE 2 - CONCENTRATIONS of CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits and certificates of deposit. The Organization maintains substantially all of its cash balances with several financial institutions where the cash account balances may at times exceed FDIC limits.

The revenue from the County of Lancaster totaled \$1,993,740 and \$1,993,739 or 51% and 52% of total revenue for the years ended December 31, 2019 and 2018, respectively. The revenue from the Commonwealth of Pennsylvania totaled \$1,594,716 and \$1,578,561 or 41% of total revenue for each of the years ended December 31, 2019 and 2018, respectively.

A major vendor is a vendor whose goods and services represent 10% or more of the Organization's total purchases for the year. There was one vendor which met the major vendor criteria. Purchases from this vendor were \$415,050 and \$438,939 for the years ended December 31, 2019 and 2018, respectively.

#### NOTE 3 - INVESTMENTS

Short-term investments at December 31, 2019, consist of the following Certificates of Deposit with original maturities twelve months or less:

## Library System of Lancaster County

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 3 - INVESTMENTS (Continued)

	Maturity Date	Original Term	Interest Rate	Balance December 31, 2019
Union Community Bank	1/20/2020	13 mos.	2.42%	50,000

Short-term investments at December 31, 2018, consist of the following Certificates of Deposit with original maturities twelve months or less:

	Maturity Date	Original Term	Interest Rate	Balance December 31, 2018
PNC Investments	1/15/2019	12 mos.	2.25%	80,000
PNC Investments	7/29/2019	12 mos.	2.35%	<u>80,000</u>
				<b>160,000</b>

There were no long-term investments at December 31, 2019. Long-term investments at December 31, 2018, consist of the following Certificates of Deposit with original maturities greater than twelve months:

	Maturity Date	Original Term	Interest Rate	Balance December 31, 2018
Union Community Bank	1/20/2020	13 mos.	2.42%	50,000

#### NOTE 4 - OPERATING LEASE

The Organization entered into a 5-year property lease from December 1, 2016 through November 30, 2021. The property lease is for facilities from which the Organization conducts its central operations. Rent payments are fixed at \$5,207 base per month for the first year. In the second through the fifth year the minimum fixed annual rent will increase per the schedule in the lease agreement. Additional rents for common area maintenance and HVAC maintenance are assessed at the beginning of the calendar year based on budgeted amounts and reconciled annually with actual expenditures by the landlord. For the years ending December 31, 2019 and 2018, rent payments totaled \$88,319 and \$84,996, respectively.

Future minimum lease payments are as follows:

2020	65,403
2021	<u>60,786</u>
	<b>126,189</b>



## Library System of Lancaster County

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### NOTE 5 - CAPITAL LEASES

The Company has capital lease obligations under leases for vehicles. Capital lease obligations as of December 31, 2019 and 2018, consisted of the following:

	<b>2019</b>	<b>2018</b>
Capital lease payable to a financing company, due in monthly payments of \$1,786 through November 2021, collateralized by a vehicle with a net book value of \$98,325 at December 31, 2019. The note included interest at 11.58%.	52,415	66,407
Capital lease payable to a financing company, due in monthly payments of \$539 through January 2025, collateralized by a vehicle with a net book value of \$32,318 at December 31, 2019. The note is non-interest bearing.	<u>32,318</u>	<u>-0-</u>
	<b>84,733</b>	<b>66,407</b>
Current Maturities	21,625	15,938
Long-Term Portion	63,108	50,469

Aggregate maturities on capital lease obligations debt are:

December 31, 2020	21,625
2021	24,081
2022	25,562
2023	6,464
2024	6,464
Thereafter	<u>537</u>
	<b>84,733</b>

The carrying value of the vehicles under capital lease obligations was as follows as of December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Vehicles, at Cost	172,782	140,464
Accumulated Depreciation	<u>(42,139)</u>	<u>(14,046)</u>
	<b>130,643</b>	<b>126,418</b>

# Library System of Lancaster County

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 5 - CAPITAL LEASES (Continued)

Future minimum payments under capital leases at December 31, 2019, are as follows:

	2020	27,362
	2021	27,901
	2022	27,283
	2023	6,464
	2024	6,464
	Thereafter	<u>536</u>
		96,010
Amounts Representing Interest		<u>(11,277)</u>
		<b>84,733</b>

### NOTE 6 - RETIREMENT

The Organization offers a salary reduction tax deferred annuity under Internal Revenue Code section 403(b). All employees are required, as a condition of employment, to participate after completion of a 90-day introductory period. Under this plan, pre-tax contributions are made for 5% of the employee's gross wages or the maximum allowable under current IRS regulations, whichever is less. Additionally, the Organization contributes 5% of the employees' gross wages up to the maximum allowed by law. Contributions made for the years ended December 31, 2019 and 2018, were \$38,484 and \$41,014, respectively.

### NOTE 7 - CONTINGENCIES

The Organization may participate in various grant and contractual programs. These programs are subject to program compliance audits by the grantors and contractors, or their representatives. Accordingly, the Organization is potentially liable for any expenditure which may be disallowed pursuant to the terms of these programs. The Organization's management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

### NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Board designated net assets are included in the net assets without donor restrictions for short-term operating expenses and long-term expenditures. Board designated net assets were \$1,575,531 and \$1,484,813 at December 31, 2019 and 2018.

# Library System of Lancaster County

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include funds restricted by donors at December 31, 2019 and 2018, for various purposes as follows:

	2019	2018
Bookmobile	49,811	56,885
Be Ready Rover	<u>304</u>	<u>-0-</u>
	<b>50,115</b>	<b>56,885</b>

### NOTE 10 - AVAILABILITY and LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

#### Financial Assets:

Cash and Cash Equivalents	1,445,198
Accounts Receivable	112,749
Short-Term Investments	<u>50,000</u>
<b>Total Financial Assets</b>	<b>1,607,947</b>

#### Less Amounts Unavailable for General Expenditures, Due to:

Net Assets with Donor Restrictions	50,115
Board Designated Funds for Bookmobile Lease Payments	<u>32,318</u>

#### Financial Assets Available to Meet Cash Needs

<b>For General Expenditures Within One Year</b>	<b>1,525,514</b>
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The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet at least 90 days of normal operating expenses, which are, on average, approximately \$575,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, as part of its liquidity management, The Organization invests cash in excess of daily requirements in various investments, including certificates of deposit.

### NOTE 11 - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. On March 14, 2020, the Office of Commonwealth Libraries (part of the Department of Education) closed all public libraries in Pennsylvania. The physical location closed, but the majority of the employees worked remotely, and the Library continued to offer programs and services online. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments including the duration and spread of the outbreak, impact on customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

## **Library System of Lancaster County**

### NOTES to FINANCIAL STATEMENTS

(Continued)

#### **NOTE 11 - SUBSEQUENT EVENTS (Continued)**

During May 2020, the Organization applied for and was granted a loan through the Small-Business Administration's Paycheck Protection Program. Under the terms of the program, the Organization was eligible for a loan of \$245,357 and received funds in June 2020.

The loan provides for interest at 1.00% and is payable in equal installments beginning in December 2020 through May 2022. Under the terms of the Small-Business Administration's Paycheck Protection Program, all or a portion of the loan may be forgiven based upon spending over the 24-week period following the loan funded date. The Organization has not yet determined what amount may be eligible for this forgiveness.

Subsequent events have been evaluated through September 21, 2020, which represents the date the financial statements were available to be issued.

## Library System of Lancaster County

ANALYSIS of STATE and COUNTY FUNDING to MEMBER LIBRARIES

Year Ended December 31, 2019

	<b>State Aid</b>	<b>County Aid</b>	<b>Grand Total</b>
<b>Funding</b>	<b>\$ 1,336,167</b>	<b>\$ 192,000</b>	<b>\$ 1,528,167</b>
<b>Disbursements</b>			
Adamstown Area Library	61,571	11,262	72,833
Columbia Public Library	42,027	5,862	47,889
ELANCO Library	51,475	9,784	61,259
Elizabethtown Library	78,313	11,252	89,565
Ephrata Library	155,287	11,946	167,233
Lancaster Public Library	383,708	64,918	448,626
Lititz Public Library	107,680	11,424	119,104
Manheim Community Library	39,776	8,144	47,920
Manheim Township Library	124,121	13,336	137,457
Milanof-Schock Library	61,288	9,916	71,204
Moores Memorial Library	43,466	4,288	47,754
Pequea Valley Public Library	83,787	11,888	95,675
Quarryville Library	56,295	13,036	69,331
Strasburg Heisler Library	47,373	4,944	52,317
<b>Total Disbursements</b>	<b>1,336,167</b>	<b>192,000</b>	<b>1,528,167</b>
<b>Funding Retained by System</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

See independent auditors' report.