

**LIBRARY SYSTEM OF
LANCASTER COUNTY**

**Financial Statements
With Supplementary Information**

Years Ended December 31, 2021 and 2020

LIBRARY SYSTEM OF LANCASTER COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Library System of Lancaster County
Lancaster, Pennsylvania

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Library System of Lancaster County as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Library System of Lancaster County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Library System of Lancaster County as of December 31, 2020, were audited by other auditors whose report dated September 15, 2021, expressed an unmodified opinion on those statements.

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 Library System of Lancaster County's ability to continue as a going concern within 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 generally accepted auditing standards 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, 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 generally accepted auditing standards, 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 Library System of Lancaster County'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 Library System of Lancaster County'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 audit.

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 Exhibit "F" 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 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.



ROSS BUEHLER FALK & COMPANY, LLP

September 13, 2022

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT		
Cash and cash equivalents	\$ 1,118,762	\$ 1,240,173
Accounts receivable	202,915	355,524
Prepaid expenses	71,695	118,891
Investments	<u>1,017,752</u>	<u>1,027,550</u>
Total Current Assets	<u>2,411,124</u>	<u>2,742,138</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	478,865	469,733
Vehicles	172,782	172,782
Leasehold improvements	<u>158,768</u>	<u>158,768</u>
	810,415	801,283
Less: accumulated depreciation	<u>(585,357)</u>	<u>(517,497)</u>
Net Property and Equipment	<u>225,058</u>	<u>283,786</u>
OTHER ASSETS		
Security deposit	<u>4,718</u>	<u>4,718</u>
Total Assets	<u><u>\$ 2,640,900</u></u>	<u><u>\$ 3,030,642</u></u>

See the accompanying independent auditor's report.

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

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT		
Accounts payable	\$ 104,173	\$ 61,417
Accrued wages	36,499	66,190
Capital lease obligation	19,768	17,617
Note payable - vehicle loan	6,464	6,464
Note payable - Paycheck Protection Program loan	-	92,395
Accrued expenses	1,722	1,657
Deferred revenue	231,472	742,156
Due to Member Libraries	152,607	2,607
Due to Council of Friends	-	50
	<u>552,705</u>	<u>990,553</u>
LONG-TERM		
Capital lease obligation	772	18,860
Note payable - vehicle loan	12,927	19,390
Note payable - Paycheck Protection Program loan	-	152,962
	<u>13,699</u>	<u>191,212</u>
	<u>566,404</u>	<u>1,181,765</u>
<u>NET ASSETS</u>		
Without donor restrictions	2,054,320	1,813,539
With donor restrictions	20,176	35,338
	<u>2,074,496</u>	<u>1,848,877</u>
	<u>\$ 2,640,900</u>	<u>\$ 3,030,642</u>

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
State funding	\$ 1,907,961	\$ -	\$ 1,907,961
County funding	1,993,740	-	1,993,740
Total state and county funding	<u>3,901,701</u>	<u>-</u>	<u>3,901,701</u>
Less: disbursements to member libraries	<u>(1,633,820)</u>	<u>-</u>	<u>(1,633,820)</u>
State and county funding retained by the System	2,267,881	-	2,267,881
Grants	333,598	-	333,598
Other revenue	<u>22,829</u>	<u>11,038</u>	<u>33,867</u>
	2,624,308	11,038	2,635,346
Net assets released from restrictions	<u>26,200</u>	<u>(26,200)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,650,508</u>	<u>(15,162)</u>	<u>2,635,346</u>
EXPENSES			
Program services	2,051,579	-	2,051,579
Management and general	342,191	-	342,191
Fundraising	<u>15,957</u>	<u>-</u>	<u>15,957</u>
Total Expenses	<u>2,409,727</u>	<u>-</u>	<u>2,409,727</u>
INCREASE (DECREASE) IN NET ASSETS	240,781	(15,162)	225,619
Net Assets, Beginning of Year	<u>1,813,539</u>	<u>35,338</u>	<u>1,848,877</u>
Net Assets, End of Year	<u>\$ 2,054,320</u>	<u>\$ 20,176</u>	<u>\$ 2,074,496</u>

See the accompanying independent auditor's report.

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

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
State funding	\$ 1,756,257	\$ -	\$ 1,756,257
County funding	1,993,740	-	1,993,740
Total state and county funding	<u>3,749,997</u>	<u>-</u>	<u>3,749,997</u>
Less: disbursements to member libraries	<u>(1,747,827)</u>	<u>-</u>	<u>(1,747,827)</u>
State and county funding retained by the System	2,002,170	-	2,002,170
Grants	458,480	-	458,480
Other revenue	<u>78,559</u>	<u>8,952</u>	<u>87,511</u>
	2,539,209	8,952	2,548,161
Net assets released from restrictions	<u>23,729</u>	<u>(23,729)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,562,938</u>	<u>(14,777)</u>	<u>2,548,161</u>
EXPENSES			
Program services	2,180,814	-	2,180,814
Management and general	322,737	-	322,737
Fundraising	<u>21,113</u>	<u>-</u>	<u>21,113</u>
Total Expenses	<u>2,524,664</u>	<u>-</u>	<u>2,524,664</u>
INCREASE (DECREASE) IN NET ASSETS	38,274	(14,777)	23,497
Net Assets, Beginning of Year	<u>1,775,265</u>	<u>50,115</u>	<u>1,825,380</u>
Net Assets, End of Year	<u>\$ 1,813,539</u>	<u>\$ 35,338</u>	<u>\$ 1,848,877</u>

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			
	Program	Management and General	Fundraising	Total
PERSONNEL				
Salaries and wages	\$ 808,973	\$ 220,362	\$ 10,896	\$ 1,040,231
Employee benefits	137,797	37,551	1,861	177,209
COLLECTION EXPENSES				
Books	97,560	-	-	97,560
Subscriptions	652	-	-	652
Overdrive subscription	8,000	-	-	8,000
Audio visual	2,682	-	-	2,682
Computer service fees	59,860	-	-	59,860
Internet access fees	233,702	-	-	233,702
Collection processing	97,812	-	-	97,812
OPERATING OVERHEAD				
Property and vehicles	43,542	11,497	565	55,604
Rent	73,012	19,411	956	93,379
Postage and shipping	3,290	175	35	3,500
Supplies	3,009	820	41	3,870
Accounting services	-	23,669	-	23,669
Legal services	-	743	-	743
Other contracted services	13,363	3,573	5	16,941
Miscellaneous operating	21	1	-	22
PROGRAM AND SERVICES				
Interlibrary loan costs	37,866	-	-	37,866
Computer expenses	265,853	8,317	1,576	275,746
Bookmobile	10,556	-	-	10,556
Be Ready Rover	16,743	-	-	16,743
Supplies	22,964	-	-	22,964
Telephone	9,908	-	-	9,908
Public relations	1,415	63	3	1,481
Library programs	33,194	-	-	33,194
Travel and conferences	4,042	770	-	4,812
Dues, memberships, and events	4,590	1,148	-	5,738
Training and development	6,885	519	19	7,423
Depreciation expense	54,288	13,572	-	67,860
Total Expenses	\$ 2,051,579	\$ 342,191	\$ 15,957	\$ 2,409,727

See the accompanying independent auditor's report.

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

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2020			
	Program	Management and General	Fundraising	Total
PERSONNEL				
Salaries and wages	\$ 857,407	\$ 189,351	\$ 13,772	\$ 1,060,530
Employee benefits	213,741	47,030	3,435	264,206
COLLECTION EXPENSES				
Books	147,190	-	-	147,190
Subscriptions	881	-	-	881
Overdrive subscription	8,000	-	-	8,000
Audio visual	1,243	-	-	1,243
Computer service fees	61,554	-	-	61,554
Internet access fees	236,095	-	-	236,095
Collection processing	79,154	-	-	79,154
OPERATING OVERHEAD				
Property and vehicles	38,730	8,152	587	47,469
Rent	73,755	16,272	1,161	91,188
Postage and shipping	4,027	260	43	4,330
Supplies	18,334	4,034	295	22,663
Accounting services	-	26,559	-	26,559
Legal services	-	-	-	-
Other contracted services	12,157	4,250	3	16,410
Miscellaneous operating	103	6	-	109
PROGRAM AND SERVICES				
Computer expenses	281,330	9,392	1,772	292,494
Bookmobile	7,958	-	-	7,958
Be Ready Rover	11,825	-	-	11,825
Supplies	24,152	-	-	24,152
Telephone	10,030	-	-	10,030
Public relations	2,391	91	7	2,489
Library programs	18,146	-	-	18,146
Travel and conferences	5,285	1,098	-	6,383
Dues, memberships, and events	5,026	1,257	-	6,283
Training and development	6,044	576	38	6,658
Miscellaneous	-	345	-	345
Depreciation expense	56,256	14,064	-	70,320
Total Expenses	\$ 2,180,814	\$ 322,737	\$ 21,113	\$ 2,524,664

LIBRARY SYSTEM OF LANCASTER COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Exhibit "D"

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 225,619	\$ 23,497
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized gain on investments	8,611	(27,550)
Depreciation	67,860	70,320
Paycheck Protection Program loan forgiveness	(245,357)	-
Changes in operating assets and liabilities:		
Accounts receivable	152,609	(242,775)
Prepaid expenses	47,196	6,670
Accounts payable	42,756	25,496
Accrued wages	(29,691)	24,416
Accrued expenses	65	(755)
Deferred revenue	(510,684)	688,568
Due to member libraries	150,000	-
Due to Council of Friends	(50)	-
	<u>(91,066)</u>	<u>567,887</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,132)	(45,867)
Proceeds from (purchase of) investments	5,205	(926,667)
	<u>(3,927)</u>	<u>(972,534)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	245,357
Payments on capital lease obligation	(15,937)	(15,938)
Payments on note payable - vehicle loan	(6,463)	(6,464)
	<u>(22,400)</u>	<u>222,955</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET DECREASE IN CASH	(117,393)	(181,692)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,263,506</u>	<u>1,445,198</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,146,113</u>	<u>\$ 1,263,506</u>

See the accompanying independent auditor's report.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. The Organization maintains its cash balances at a local financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash balances in excess of federally insured limits amounted to \$385,519 at December 31, 2021.

The Organization also maintains an account with one stock brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). Balances in excess of insured limits amounted to \$516,813 at December 31, 2021.

The revenue from the County of Lancaster totaled \$1,993,740 for each of the years ended December 31, 2021 and 2020, which accounted for 45% and 46% of total revenue for the years ended December 31, 2021 and 2020, respectively. The revenue from the Commonwealth of Pennsylvania totaled \$1,756,257 and \$1,594,716 for the years ended December 31, 2021 and 2020, respectively, which accounted for 45% and 46% of total revenue for the years ended December 31, 2021 and 2020, 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 who met the major vendor criteria. Purchases from this vendor were \$480,818 and \$427,084 for the years ended December 31, 2021 and 2020.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time-to-time.

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

Fund Raising and Other Public Support

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.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, income and expenses. The Organization's estimates relate primarily to depreciation, which is based on estimated useful lives, and the functional allocation of expenses for the statements of functional expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Routine repair and maintenance costs are expensed as incurred.

The charge for depreciation amounted to \$67,860 and \$70,320 for the years ended December 31, 2021 and 2020, respectively.

Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred. The charge for advertising amounted to \$-0- for the years ended December 31, 2021 and 2020.

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 \$27,599 and \$57,168 as of December 31, 2021 and 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Functional Expenses

The costs of providing the 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:

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Operating overhead	Full time equivalent
Programs and services	Direct allocation
Local grant expenses	Direct allocation
Depreciation	Direct allocation

Donated Materials and Services

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.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Internal Revenue Service (IRS) has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

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, 2021 and 2020. There were no accounts receivable over 90 days for the years ended December 31, 2021 and 2020.

Accounts receivable consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Accounts receivable, trade	\$ 118,309	\$ 355,524
Employee Retention Credits	84,606	-
	<u>\$ 202,915</u>	<u>\$ 355,524</u>

See the accompanying independent auditor's report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued new revenue recognition guidance (Accounting Standard Codification (ASC) 606) to provide a single, comprehensive revenue recognition model for all contracts with customers, Accounting Standard Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard supersedes all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures.

The Organization adopted the new guidance on January 1, 2020, following the modified retrospective method of transition. The Organization's revenue is primarily recognized in the point in time at which control transfers to the customer. The Organization considered the aggregate impact of all modifications that occurred prior to the effective date of the standard for purposes of identifying performance obligations, determining the transaction price and allocating the transaction price to performance obligations. The result of the impact is that no prior period comparative information was needed to be recast to reflect the impact of the new guidance and therefore continues to be reported under the accounting guidance in effect during those periods.

Revenue Recognition Policy

If the Organization enters into an exchange transaction, the Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or services to a customer. Management has determined that the Organization does not participate in material transactions that would qualify as an exchange transaction.

Subsequent Events

Management has evaluated all events and transactions occurring after the balance sheet date through September 13, 2022, the date through which the financial statements were available to be issued. Management feels that no events or transactions occurred subsequent to the balance sheet date requiring an adjustment to the financial statements or disclosure in the footnotes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Global Pandemic

In December 2019, the Coronavirus Disease 2019 (COVID-19) was reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the COVID-19 outbreak in the United States, there has been significant economic disruption due to business closures and shelter in place orders. There is considerable uncertainty around the duration of business closures and shelter in place orders and the near-term impact of these events on the United States and global economy.

As a result of the outbreak of COVID-19 and its impact on the broader economy and community, the Organization has been adversely affected through disruptions and restrictions on the Organization's employees' ability to work, postponement of certain services for a period of time resulting in decreased revenues.

As of the report date, the Organization is operating in compliance with certain guidelines. The Organization obtained funding through the Paycheck Protection Program to help cover payroll, rent, utilities, and other expenses.

Management is currently evaluating the impact that COVID-19 will have on future operations; however, given the significant uncertainties surrounding these events the impact to the Organization's statements of financial position, statements of activities, and cash flow cannot be reasonably estimated as of the report date.

NOTE 2: INVESTMENTS

The Organization accounts for investments in accordance with ASC 958-320-05, "Accounting for Certain Investments Held by Not-for-Profit-Organizations". As a result investments are valued at fair market value.

Financial instruments include cash and marketable securities.

The fair value of cash is the same as its carrying value.

FASB ASC 820-10-05, "Fair Value Measurement", establishes a framework for measuring fair value and requires additional disclosures about the use of fair value instruments. ASC 820-10-05 specifies that the valuation techniques used to measure fair value maximize the use of market data obtained from independent sources (observable inputs) and minimizes the use of unobservable inputs. ASC 820-10-05 establishes a fair value hierarchy based on the use of these inputs and is summarized as follows:

Level 1 – quoted prices in active markets for identical securities;

Level 2 – other significant observable inputs, including quoted prices for similar securities, and

Level 3 – significant unobservable techniques supported by little or no market activity.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: INVESTMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2021 and 2020.

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short-term nature of these investments.

Equities, Exchange-Traded and Mutual Funds: Fair value of equities, exchange-traded and mutual funds was based on quoted market prices for the identical securities.

The following is a summary of the investments as of December 31 by the ASC 820-10-05 valuation hierarchy:

2021	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 27,351	\$ -	\$ -
Equities	64,219		
Exchange-traded fixed income funds	398,477	-	-
Mutual funds	527,705	-	-
	\$ 1,017,752	\$ -	\$ -
2020	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 23,333	\$ -	\$ -
Exchange-traded fixed income funds	601,150	-	-
Mutual funds	403,067	-	-
	\$ 1,027,550	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTSNOTE 3: CAPITAL LEASES

The Organization leases a vehicle under the terms of a capital lease agreement that runs through February 2023. Under the terms of this agreement, the monthly payment is \$1,786 and includes interest at 11.58%. The balance outstanding was \$20,540 and \$36,477 at December 31, 2021 and 2020, respectively.

The carrying value of the vehicle under capital lease obligation was as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicle, at cost	\$ 140,464	\$ 140,464
Accumulated depreciation	<u>(98,325)</u>	<u>(70,232)</u>
	<u>\$ 42,139</u>	<u>\$ 70,232</u>

Future minimum payments under capital leases at December 31, 2021, are as follows:

	2022	\$ 21,437
	2023	<u>824</u>
		22,261
Less: amount representing interest		<u>(1,721)</u>
Present value of minimum lease payments		20,540
Less: current portion of capital lease obligations		<u>(19,768)</u>
Long-term portion of capital lease obligations		<u>\$ 772</u>

All interest expensed was charged to operations and included in Bookmobile expenses on the Statement of Functional Expenses.

NOTES TO FINANCIAL STATEMENTSNOTE 4: OPERATING LEASE

The Organization entered into a 5-year property lease through November 30, 2021. The lease was extended through November 30, 2022 with a tenant option to extend it one additional year. The property lease is for facilities from which the Organization conducts its central operations. Rent payments are fixed at \$5,691 base rent per month for the first year. 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 ended December 31, 2021 and 2020, rent payments totaled \$93,379 and \$91,188, respectively.

Future minimum lease payments are as follows:

2022	\$	62,601
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NOTE 5: 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 6: RETIREMENT PLAN

The Organization offers a salary reduction tax deferred annuity under Internal Revenue Code section 403(b). All employees may participate immediately upon their hiring. Under this plan, pre-tax contributions may be made up to the maximum allowable under current IRS regulations. Additionally, the Organization contributes up to 5% of the employee's gross wages up to the maximum allowed by law beginning after 90 days of employment. Contributions made for the years ended December 31, 2021 and 2020 were \$46,864 and \$46,094, respectively.

NOTE 7: SUPPLEMENTAL CASH FLOW INFORMATION

The Organization adopted the provisions of FASB ASU No. 2016-18, Restricted Cash, beginning January 1, 2019. This ASU requires amounts deemed restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows, and presentation should permit a reconciliation when cash, cash equivalents and restricted cash are presented in more than one line item on the balance sheets. The Company has amounts deposited in the investments as discussed in Note 2. These amounts are deemed restricted cash.

NOTES TO FINANCIAL STATEMENTSNOTE 7: SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Cash and cash equivalents for cash flow purposes are made up of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,118,762	\$ 1,240,173
Investments	<u>27,351</u>	<u>23,333</u>
	<u>\$ 1,146,113</u>	<u>\$ 1,263,506</u>

Cash payments for interest were \$ \$4,727 for each of the years ended December 31, 2021 and 2020.

NOTE 8: NET ASSETS

The board has designated the following amounts at December 31:

	<u>2021</u>	<u>2020</u>
Chrysler van payments	\$ 19,391	\$ 25,854
Projects	<u>6,619</u>	<u>9,488</u>
	<u>\$ 26,010</u>	<u>\$ 35,342</u>

Net assets with donor restrictions consist of the following amount at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Bookmobile	\$ 19,065	\$ 34,448
Be Ready Rover	<u>1,111</u>	<u>890</u>
	<u>\$ 20,176</u>	<u>\$ 35,338</u>

NOTES TO FINANCIAL STATEMENTSNOTE 9: LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,098,586
Accounts receivable	202,915
Prepaid expenses	71,695
Investments	<u>1,017,752</u>
	<u><u>\$ 2,390,948</u></u>

The Organization has a goal to maintain financial assets, which consist of cash and investments, on hand to meet at least six months of normal operating expenses, which are, on average, approximately \$1,240,000. 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. Funds held in these investment vehicles are readily available to cover operating expenses on an as needed basis.

NOTE 10: NOTES PAYABLE

	<u>2021</u>	<u>2020</u>
Note payable - vehicle loan with monthly principal payments of \$539 through January 2025. The note is non-interest bearing. Secured by the vehicle.	\$ 19,391	\$ 25,854
Paycheck Protection Program loan (see terms below)	<u>-</u>	<u>245,357</u>
	19,391	271,211
Less: current maturities	(6,464)	(6,464)
Less: Paycheck Protection Program loan	<u>-</u>	<u>(245,357)</u>
Total Long-Term Note Payable - Vehicle Loan	<u><u>\$ 12,927</u></u>	<u><u>\$ 19,390</u></u>

Aggregate maturities of notes payable, assuming no change in current terms, consist of the following for the remaining years ending December 31:

2022	\$ 6,464
2023	6,464
2024	6,463

NOTE 10: NOTES PAYABLE (Continued)

Paycheck Protection Program Loan

As a result of the global pandemic that has negatively impacted the Organization, the Organization obtained a loan totaling \$245,357 through the Paycheck Protection Program (PPP) to help cover payroll, rent, utility and other eligible expenses. The loan beared interest at a rate of 1% and had a two-year term.

The PPP loan and accrued interest were eligible for full or partial forgiveness if the Organization incurred sufficient payroll, rent, utility and other eligible expenses during the covered period and met certain other criteria.

The Organization received a determination letter from the SBA confirming the entire remaining balance of the loan was forgiven as of April 30, 2021. The amount is therefore reflected as grant revenue on the statement of activities for the year ended December 31, 2021. This amount was reduced by \$150,000 as the Organization elected to distribute a portion of this revenue to the member libraries.

NOTE 11: NEW ACCOUNTING STANDARD

Leases

During February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), that will now require organizations that lease assets – or lessees – to recognize assets and liabilities on their statements of financial position for leases with lease terms of more than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is assessing the impact this standard will have on its financial statements.

LIBRARY SYSTEM OF LANCASTER COUNTY
ANALYSIS OF STATE AND COUNTY FUNDING TO MEMBER LIBRARIES
YEAR ENDED DECEMBER 31, 2021

Exhibit "F"

	<u>State Aid</u>	<u>County Aid</u>	<u>Total</u>
FUNDING	<u>\$ 1,907,961</u>	<u>\$ 1,993,740</u>	<u>\$ 3,901,701</u>
DISBURSEMENTS			
Adamstown Area Library	61,675	10,391	72,066
Columbia Public Library	45,881	4,990	50,871
ELANCO Library	61,181	8,912	70,093
Elizabethtown Public Library	94,680	10,382	105,062
Ephrata Public Library	174,427	11,075	185,502
Lancaster Public Library	373,570	60,116	433,686
Lititz Public Library	107,600	10,553	118,153
Manheim Community Library	45,739	7,273	53,012
Manheim Township Public Library	149,496	12,465	161,961
Milanof-Schock Library	67,471	9,044	76,515
Moores Memorial Library	56,671	3,417	60,088
Pequea Valley Public Library	101,288	10,146	111,434
Quarryville Library	64,503	12,164	76,667
Strasburg-Heisler Library	<u>54,638</u>	<u>4,072</u>	<u>58,710</u>
Total Disbursements	<u>1,458,820</u>	<u>175,000</u>	<u>1,633,820</u>
FUNDING RETAINED BY SYSTEM	<u>\$ 449,141</u>	<u>\$ 1,818,740</u>	<u>\$ 2,267,881</u>

See the accompanying independent auditor's report.