

**LIBRARY SYSTEM OF LANCASTER COUNTY**

**Financial Statements  
With Supplementary Information**

**Years Ended December 31, 2023 and 2022**

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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 audits were 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.

September 18, 2024



ROSS BUEHLER FALK & COMPANY, LLP

LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

Exhibit "A"  
Page 1 of 2

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 1,162,387	\$ 1,105,693
Accounts receivable	559,265	179,957
Prepaid expenses	72,842	50,515
Investments	980,943	893,682
	<u>2,775,437</u>	<u>2,229,847</u>
Total Current Assets		
	<u>2,775,437</u>	<u>2,229,847</u>
<u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	484,794	478,865
Vehicles	172,782	172,782
Leasehold improvements	158,768	158,768
	<u>816,344</u>	<u>810,415</u>
Less: accumulated depreciation	<u>(685,686)</u>	<u>(644,917)</u>
	<u>130,658</u>	<u>165,498</u>
Net Property and Equipment		
	<u>130,658</u>	<u>165,498</u>
<u>OTHER ASSETS</u>		
Right-of-use asset - operating lease	65,170	133,744
Security deposit	4,718	4,718
	<u>69,888</u>	<u>138,462</u>
Total Other Assets		
	<u>69,888</u>	<u>138,462</u>
Total Assets	<u>\$ 2,975,983</u>	<u>\$ 2,533,807</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 FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable	\$ 48,032	\$ 96,510
Accrued wages	44,169	44,089
Operating lease obligation	66,467	67,395
Capital lease obligation	-	3,522
Note payable - vehicle loan	6,464	6,464
Accrued expenses	13,397	64,062
Deferred revenue	553,432	239,605
Due to Member Libraries	2,607	2,607
	734,568	524,254
 <u>LONG-TERM</u>		
Operating lease obligation	-	66,467
Note payable - vehicle loan	539	7,002
	539	73,469
Total Long-Term Liabilities	539	73,469
Total Liabilities	735,107	597,723
 <u>NET ASSETS</u>		
Without donor restrictions	2,240,876	1,932,835
With donor restrictions	-	3,249
	2,240,876	1,936,084
Total Net Assets	2,240,876	1,936,084
Total Liabilities and Net Assets	\$ 2,975,983	\$ 2,533,807

LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
State funding	\$ 2,456,125	\$ -	\$ 2,456,125
County funding	2,236,740	-	2,236,740
Total state and county funding	4,692,865	-	4,692,865
Less: disbursements to member libraries	(1,934,945)	-	(1,934,945)
State and county funding retained by the System	2,757,920	-	2,757,920
Grants	208,855	-	208,855
Other revenue	131,548	18,931	150,479
	3,098,323	18,931	3,117,254
Net assets released from restrictions	22,180	(22,180)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,120,503</b>	<b>(3,249)</b>	<b>3,117,254</b>
<b>EXPENSES</b>			
Program services	2,382,903	-	2,382,903
Management and general	413,858	-	413,858
Fundraising	15,701	-	15,701
Total Expenses	2,812,462	-	2,812,462
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>308,041</b>	<b>(3,249)</b>	<b>304,792</b>
Net Assets, Beginning of Year	1,932,835	3,249	1,936,084
Net Assets, End of Year	<b>\$ 2,240,876</b>	<b>\$ -</b>	<b>\$ 2,240,876</b>

See the accompanying independent auditor's report.

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LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE</b>			
State funding	\$ 2,164,468	\$ -	\$ 2,164,468
County funding	2,068,740	-	2,068,740
Total state and county funding	4,233,208	-	4,233,208
Less: disbursements to member libraries	(1,633,820)	-	(1,633,820)
State and county funding retained by the System	2,599,388	-	2,599,388
Grants	355,215	-	355,215
Other revenue	(94,361)	9,273	(85,088)
	2,860,242	9,273	2,869,515
Net assets released from restrictions	26,200	(26,200)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,886,442</b>	<b>(16,927)</b>	<b>2,869,515</b>
<b>EXPENSES</b>			
Program services	2,654,058	-	2,654,058
Management and general	336,585	-	336,585
Fundraising	17,284	-	17,284
Total Expenses	3,007,927	-	3,007,927
<b>DECREASE IN NET ASSETS</b>	<b>(121,485)</b>	<b>(16,927)</b>	<b>(138,412)</b>
Net Assets, Beginning of Year	2,054,320	20,176	2,074,496
Net Assets, End of Year	<u>\$ 1,932,835</u>	<u>\$ 3,249</u>	<u>\$ 1,936,084</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 FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Exhibit "C"  
Page 1 of 2

	2023			
	Program	Management and General	Fundraising	Total
<b>PERSONNEL</b>				
Salaries and wages	\$ 949,931	\$ 210,178	\$ 10,807	\$ 1,170,916
Employee benefits	238,091	45,462	2,208	285,761
<b>COLLECTION EXPENSES</b>				
Books	72,258	-	-	72,258
Subscriptions	456	-	-	456
Overdrive subscription	8,000	-	-	8,000
Audio visual	1,847	-	-	1,847
Computer service fees	67,767	-	-	67,767
Internet access fees	207,239	-	-	207,239
Collection processing	120,767	-	-	120,767
<b>OPERATING OVERHEAD</b>				
Property and vehicles	34,321	6,205	295	40,821
Operating lease expense	80,928	15,227	740	96,895
Postage and shipping	8,533	454	91	9,078
Supplies	3,019	576	28	3,623
Accounting services	-	111,690	-	111,690
Other contracted services	16,901	2,692	3	19,596
Miscellaneous operating	319	17	-	336
<b>PROGRAM AND SERVICES</b>				
Interlibrary loan costs	93,775	-	-	93,775
Computer expenses	260,356	7,839	1,474	269,669
Bookmobile	28,723	-	-	28,723
Be Ready Rover	18,261	-	-	18,261
Supplies	22,848	-	-	22,848
Telephone	11,183	-	-	11,183
Public relations	24,367	261	13	24,641
Library programs	42,476	-	-	42,476
Travel and conferences	13,022	2,715	-	15,737
Dues, memberships, and events	5,502	1,375	-	6,877
Training and development	19,422	991	42	20,455
Depreciation expense	32,591	8,176	-	40,767
Total Expenses	\$ 2,382,903	\$ 413,858	\$ 15,701	\$ 2,812,462

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, 2023 AND 2022

	2022			
	Program	Management and General	Fundraising	Total
<b>PERSONNEL</b>				
Salaries and wages	\$ 905,216	\$ 219,735	\$ 11,815	\$ 1,136,766
Employee benefits	218,830	46,902	2,278	268,010
<b>COLLECTION EXPENSES</b>				
Books	219,798	-	-	219,798
Subscriptions	108	-	-	108
Overdrive subscription	8,000	-	-	8,000
Audio visual	3,351	-	-	3,351
Computer service fees	87,962	-	-	87,962
Internet access fees	242,200	-	-	242,200
Collection processing	124,060	-	-	124,060
<b>OPERATING OVERHEAD</b>				
Property and vehicles	37,136	7,580	362	45,078
Operating lease expense	77,737	16,294	786	94,817
Postage and shipping	5,610	298	60	5,968
Supplies	2,867	614	30	3,511
Accounting services	-	14,275	-	14,275
Other contracted services	13,249	2,203	3	15,455
Miscellaneous operating	199	10	-	209
<b>PROGRAM AND SERVICES</b>				
Interlibrary loan costs	93,603	-	-	93,603
Computer expenses	303,065	10,327	1,877	315,269
Bookmobile	23,201	-	-	23,201
Be Ready Rover	32,228	-	-	32,228
Supplies	22,825	-	-	22,825
Telephone	9,973	-	-	9,973
Public relations	16,403	584	28	17,015
Library programs	34,813	-	-	34,813
Travel and conferences	17,135	3,576	-	20,711
Dues, memberships, and events	4,273	1,068	-	5,341
Training and development	27,817	1,207	45	29,069
Funding to Member Libraries	74,750	-	-	74,750
Depreciation expense	47,649	11,912	-	59,561
Total Expenses	\$ 2,654,058	\$ 336,585	\$ 17,284	\$ 3,007,927

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 CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

Exhibit "D"

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 304,792	\$ (138,412)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments	(107,056)	118,752
Depreciation	40,767	59,561
Changes in operating assets and liabilities:		
Accounts receivable	(379,308)	22,958
Prepaid expenses	(22,327)	21,180
Right-of-use asset - operating lease	68,574	(133,744)
Operating lease obligation	(67,395)	133,862
Accounts payable	(48,478)	(7,124)
Accrued wages	80	7,590
Accrued expenses	(50,665)	62,340
Deferred revenue	313,827	8,133
Due to member libraries	-	(150,000)
	52,811	5,096
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,927)	-
Proceeds from investments	15,147	8,285
	9,220	8,285
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(3,522)	(17,018)
Payments on note payable - vehicle loan	(6,463)	(6,464)
	(9,985)	(23,482)
NET CASH USED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	52,046	(10,101)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,136,012	1,146,113
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,188,058	\$ 1,136,012

See the accompanying independent auditor's report.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOperations

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 concentrations of credit risk consist principally of cash deposits. The Organization maintains its cash balances at local financial institutions. 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 \$241,393 at December 31, 2023.

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 \$480,943 at December 31, 2023.

The revenue from the County of Lancaster totaled \$2,236,740 and \$2,068,740 for the years ended December 31, 2023 and 2022, respectively, which accounted for 45% and 46% of total revenue for the years ended December 31, 2023 and 2022, respectively. The revenue from the Commonwealth of Pennsylvania totaled \$2,456,125 and \$2,164,468 for the years ended December 31, 2023 and 2022, respectively, which accounted for 50% and 48% of total revenue for the years ended December 31, 2023 and 2022, 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 \$568,647 and \$594,841 for the years ended December 31, 2023 and 2022, respectively.

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.

NOTES TO FINANCIAL STATEMENTSNOTE 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.

## NOTES TO FINANCIAL STATEMENTS

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 \$40,767 and \$59,561 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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 \$33,599 and \$30,290 as of December 31, 2023 and 2022, respectively.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases ("Topic 842"), and has since issued amendments thereto, related to the accounting for leases (collectively referred to as "ASC 842"). ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company has adopted ASC 842 effective January 1, 2022. The Company elected to continue to apply historical accounting under Topic 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

## 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

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization was established to receive and distribute funds and to provide services to all local public libraries in Lancaster County. Its accounts receivable is primarily derived from Federal, State and Local Government agencies. At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Organization's historical losses based on the ageing of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Actual credit losses could differ from our estimate.

The Organization carries its accounts receivable at the amount it considers to be collectible. Credit losses are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience, review of current period outstanding accounts receivable and projection of future activity in the allowance for credit losses. As of December 31, 2023, and 2022, based on management's analysis of accounts receivable, a reserve for credit losses, consisting of anticipated collection losses, and other miscellaneous deductions, was approximately \$-0-. The balance of accounts receivable, net as of December 31, 2023 and 2022, and as of January 1, 2022, were approximately \$559,265, \$179,957, and \$202,915, respectively.

The Company does not accrue interest on accounts receivable. A receivable is considered past due if payments have not been received by the Organization within stated terms. Accounts are written off as uncollectible if no payments are received after a reasonable amount of time and it is evident after exhausting all reasonable means that the customer will not be remitting payment. The accounts receivable over 90 days for the years ended December 31, 2023 and 2022 totaled \$455,062 and \$6,135, respectively.

Accounts receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Accounts receivable, trade	\$ 559,265	\$ 179,957
	<u>\$ 559,265</u>	<u>\$ 179,957</u>

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.



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

At December 31, the Organization had the following accounts receivable balances: 2023 - \$559,265; 2022 - \$179,957; and 2021 - \$202,915

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 18, 2024, 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 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.

## NOTES TO FINANCIAL STATEMENTS

NOTE 2: INVESTMENTS (Continued)

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.

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, 2023 and 2022.

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

Equities, Exchange-Traded, Fixed Income Securities, 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:

2023	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 25,670	\$ -	\$ -
Equities	457,715	-	-
Exchange-traded fixed income funds	135,448	-	-
Fixed income securities	267,770	-	-
Mutual funds	94,340	-	-
	<u>\$ 980,943</u>	<u>\$ -</u>	<u>\$ -</u>
2022	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 30,319	\$ -	\$ -
Equities	400,653	-	-
Exchange-traded fixed income funds	124,398	-	-
Fixed income securities	248,399	-	-
Mutual funds	89,913	-	-
	<u>\$ 893,682</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditor's report.

## NOTES TO FINANCIAL STATEMENTS

NOTE 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 \$0 and \$3,522 at December 31, 2023 and 2022, respectively.

The carrying value of the vehicle under capital lease obligation was as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Vehicle, at cost	\$ 140,464	\$ 140,464
Accumulated depreciation	<u>(140,464)</u>	<u>(126,417)</u>
	<u>\$ -</u>	<u>\$ 14,047</u>

NOTE 4: OPERATING LEASE

On January 1, 2022, the Organization adopted ASU 842 (see Note 1). The Organization leases office space under a third-party lease agreement. The terms and recorded liability consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Operating lease obligation, effective December 2022, 12 monthly payments of \$5,921, including principal and interest at the AFR long-term interest rate of 3.77%. The Organization expects to exercise a renewal option to extend the lease an additional 12 months with monthly payments of \$6,157.	\$ 66,467	\$ 133,862
Less: current portion of operating lease obligation	<u>66,467</u>	<u>67,395</u>
Operating lease obligation, net of current portion	<u>\$ -</u>	<u>\$ 66,467</u>

## NOTES TO FINANCIAL STATEMENTS

NOTE 4: OPERATING LEASE (Continued)

Future minimum payments under the operating lease consist of the following for the years ended December 31:

2024	<u>\$ 67,727</u>
Total operating lease payments	67,727
Less: amount representing interest	<u>(1,260)</u>
Present value of minimum operating lease payments	66,467
Less: current portion of operating lease obligation	<u>(66,467)</u>
Operating lease obligation, net of current portion	<u><u>\$ -</u></u>

The carrying value of the related right-of-use operating lease asset consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Cost basis at net present value	\$ 139,783	\$ 139,783
Less: accumulated amortization	<u>(74,613)</u>	<u>(6,039)</u>
Right of use asset - operating lease, net	<u><u>\$ 65,170</u></u>	<u><u>\$ 133,744</u></u>

Operating lease expense totaled \$96,895 and \$94,817 for the year ended December 31, 2023 and 2022, respectively.

Remaining lease term	11 months
Discount rate	3.77%

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.

## NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022 were \$53,742 and \$46,015, 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.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,162,387	\$ 1,105,693
Investments	<u>25,670</u>	<u>30,319</u>
	<u>\$ 1,188,057</u>	<u>\$ 1,136,012</u>

Cash payments for interest were \$2,083 and \$3,646 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8: NET ASSETS

The board has designated the following amounts at December 31:

	<u>2023</u>	<u>2022</u>
Chrysler van payments	\$ 6,464	\$ 15,801
Projects	<u>6,618</u>	<u>3,735</u>
	<u>\$ 13,082</u>	<u>\$ 19,536</u>

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Bookmobile	\$ -	\$ 3,249
	<u>\$ -</u>	<u>\$ 3,249</u>

See the accompanying independent auditor's report.

## NOTES TO FINANCIAL STATEMENTS

NOTE 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	\$ 1,162,387
Accounts receivable	559,265
Prepaid expenses	72,842
Investments	<u>980,943</u>
	<u><u>\$ 2,775,437</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>2023</u>	<u>2022</u>
Note payable - vehicle loan with monthly principal payments of \$539 through January 2025. The note is non-interest bearing. Secured by the vehicle.	<u>\$ 7,002</u>	<u>\$ 13,466</u>
	7,002	13,466
Less: current maturities	<u>(6,464)</u>	<u>(6,464)</u>
Total Long-Term Note Payable - Vehicle Loan	<u><u>\$ 539</u></u>	<u><u>\$ 7,002</u></u>

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

2024	\$	6,464
2025		539

LIBRARY SYSTEM OF LANCASTER COUNTY  
ANALYSIS OF STATE AND COUNTY FUNDING TO MEMBER LIBRARIES  
YEAR ENDED DECEMBER 31, 2023

Exhibit "F"

	<u>State Aid</u>	<u>County Aid</u>	<u>Total</u>
FUNDING	\$ 2,456,125	\$ 2,236,740	\$ 4,692,865
DISBURSEMENTS			
Adamstown Area Library	68,444	13,069	81,513
Columbia Public Library	69,028	6,135	75,163
ELANCO Library	68,981	11,130	80,111
Elizabethtown Public Library	122,209	13,223	135,432
Ephrata Public Library	180,714	14,266	194,980
Intercourse Library	122,887	13,052	135,939
Lancaster Public Library	414,070	77,030	491,100
Lititz Public Library	131,448	13,355	144,803
Manheim Community Library	49,844	9,735	59,579
Manheim Township Public Library	184,112	17,127	201,239
Milanof-Schock Library	85,664	12,032	97,696
Moores Memorial Library	71,917	4,325	76,242
Quarryville Library	74,282	15,243	89,525
Strasburg-Heisler Library	66,345	5,278	71,623
Total Disbursements	<u>1,709,945</u>	<u>225,000</u>	<u>1,934,945</u>
FUNDING RETAINED BY SYSTEM	<u>\$ 746,180</u>	<u>\$ 2,011,740</u>	<u>\$ 2,757,920</u>

See the accompanying independent auditor's report.