

**LIBRARY SYSTEM OF LANCASTER COUNTY**

**Financial Statements  
With Supplementary Information**

**Years Ended December 31, 2022 and 2021**

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, 2022 and 2021, 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, 2022 and 2021, 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.



ROSS BUEHLER FALK & COMPANY, LLP

September 13, 2023

LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT</u>		
Cash and cash equivalents	\$ 1,105,693	\$ 1,118,762
Accounts receivable	179,957	202,915
Prepaid expenses	50,515	71,695
Investments	893,682	1,017,752
	<u>2,229,847</u>	<u>2,411,124</u>
Total Current Assets		
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	478,865	478,865
Vehicles	172,782	172,782
Leasehold improvements	158,768	158,768
	<u>810,415</u>	<u>810,415</u>
Less: accumulated depreciation	<u>(644,917)</u>	<u>(585,357)</u>
	<u>165,498</u>	<u>225,058</u>
Net Property and Equipment		
 <u>OTHER ASSETS</u>		
Right of use asset - operating lease	133,744	-
Security deposit	4,718	4,718
	<u>138,462</u>	<u>4,718</u>
Total Other Assets		
 Total Assets	<u>\$ 2,533,807</u>	<u>\$ 2,640,900</u>

See the accompanying independent auditor's report.

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

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES</u>		
<u>CURRENT</u>		
Accounts payable	\$ 96,510	\$ 104,173
Accrued wages	44,089	36,499
Operating lease obligation	67,395	-
Capital lease obligation	3,522	19,768
Note payable - vehicle loan	6,464	6,464
Accrued expenses	64,062	1,722
Deferred revenue	239,605	231,472
Due to Member Libraries	2,607	152,607
	<u>524,254</u>	<u>552,705</u>
<u>LONG-TERM</u>		
Operating lease obligation	66,467	-
Capital lease obligation	-	772
Note payable - vehicle loan	7,002	12,927
	<u>73,469</u>	<u>13,699</u>
Total Long-Term Liabilities	<u>73,469</u>	<u>13,699</u>
Total Liabilities	<u>597,723</u>	<u>566,404</u>
<u>NET ASSETS</u>		
Without donor restrictions	1,932,835	2,054,320
With donor restrictions	3,249	20,176
	<u>1,936,084</u>	<u>2,074,496</u>
Total Net Assets	<u>1,936,084</u>	<u>2,074,496</u>
Total Liabilities and Net Assets	<u>\$ 2,533,807</u>	<u>\$ 2,640,900</u>

LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	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 ACTIVITIES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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LIBRARY SYSTEM OF LANCASTER COUNTY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			Total
	Program	Management and General	Fundraising	
<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	<u>\$ 2,654,058</u>	<u>\$ 336,585</u>	<u>\$ 17,284</u>	<u>\$ 3,007,927</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, 2022 AND 2021

	2021			
	Program	Management and General	Fundraising	Total
<b>PERSONNEL</b>				
Salaries and wages	\$ 808,973	\$ 220,362	\$ 10,896	\$ 1,040,231
Employee benefits	137,797	37,551	1,861	177,209
<b>COLLECTION EXPENSES</b>				
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
<b>OPERATING OVERHEAD</b>				
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
<b>PROGRAM AND SERVICES</b>				
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	<u>\$ 2,051,579</u>	<u>\$ 342,191</u>	<u>\$ 15,957</u>	<u>\$ 2,409,727</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 CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

Exhibit "D"

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (138,412)	\$ 225,619
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized losses on investments	118,752	8,611
Depreciation	59,561	67,860
Paycheck Protection Program loan forgiveness	-	(245,357)
Changes in operating assets and liabilities:		
Accounts receivable	22,958	152,609
Prepaid expenses	21,180	47,196
Right of use asset - operating lease	(133,744)	-
Operating lease obligation	133,862	-
Accounts payable	(7,124)	42,756
Accrued wages	7,590	(29,691)
Accrued expenses	62,340	65
Deferred revenue	8,133	(510,684)
Due to member libraries	(150,000)	150,000
Due to Council of Friends	-	(50)
	5,096	(91,066)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(9,132)
Proceeds from investments	8,285	5,205
	8,285	(3,927)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(17,018)	(15,937)
Payments on note payable - vehicle loan	(6,464)	(6,463)
	(23,482)	(22,400)
NET CASH USED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH	(10,101)	(117,393)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,146,113	1,263,506
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,136,012	\$ 1,146,113

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 concentrations 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 \$410,943 at December 31, 2022.

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 \$393,682 at December 31, 2022.

The revenue from the County of Lancaster totaled \$2,068,740 and \$1,993,740 for the years ended December 31, 2022 and 2021, respectively, which accounted for 46% and 47% of total revenue for the years ended December 31, 2022 and 2021, respectively. The revenue from the Commonwealth of Pennsylvania totaled \$2,164,468 and \$1,756,257 for the years ended December 31, 2022 and 2021, respectively, which accounted for 48% and 45% of total revenue for the years ended December 31, 2022 and 2021, 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 \$594,841 and \$480,818 for the years ended December 31, 2022 and 2021, 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.

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.

NOTES TO FINANCIAL STATEMENTSNOTE 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 \$59,561 and \$67,860 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

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 \$30,290 and \$27,599 as of December 31, 2022 and 2021, 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

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, 2022 and 2021. The accounts receivable over 90 days for the years ended December 31, 2022 and 2021 totaled \$6,135 and \$-0-, respectively.

Accounts receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Accounts receivable, trade	\$ 179,957	\$ 118,309
Employee Retention Credits	-	84,606
	<u>\$ 179,957</u>	<u>\$ 202,915</u>

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.

At December 31, the Organization had the following accounts receivable balances: 2022 - \$179,957; 2021 - \$202,915; and 2020 - \$335,524

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, 2023, 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, 2022 and 2021.

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:

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	-	-
	\$ 893,682	\$ -	\$ -
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	\$ -	\$ -

## 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 \$3,522 and \$20,540 at December 31, 2022 and 2021, respectively.

The carrying value of the vehicle under capital lease obligation was as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Vehicle, at cost	\$ 140,464	\$ 140,464
Accumulated depreciation	<u>(126,417)</u>	<u>(98,325)</u>
	<u>\$ 14,047</u>	<u>\$ 42,139</u>

Future minimum payments under capital leases at December 31, 2022, are as follows:

2023	\$ 3,522
Less: amount representing interest	<u>(51)</u>
Present value of minimum lease payments	3,522
Less: current portion of capital lease obligations	<u>(3,522)</u>
Long-term portion of capital lease obligations	<u>\$ -</u>

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

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>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.	\$ 133,862
Less: current portion of operating lease obligation	<u>67,395</u>
Operating lease obligation, net of current portion	<u>\$ 66,467</u>

See the accompanying independent auditor's report.

NOTES TO FINANCIAL STATEMENTSNOTE 4: OPERATING LEASE (Continued)

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

	2023	\$ 71,289
	2024	<u>67,727</u>
Total operating lease payments		139,016
Less: amount representing interest		<u>(5,154)</u>
Present value of minimum operating lease payments		133,862
Less: current portion of operating lease obligation		<u>(67,395)</u>
Operating lease obligation, net of current portion		<u>\$ 66,467</u>

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

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

Operating lease expense totaled \$94,817 for the year ended December 31, 2022, and total rent expense under the leases amounted to \$93,379 for the year ended December 31, 2021.

Remaining lease term	1 year, 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, 2022 and 2021 were \$46,015 and \$46,864, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,105,693	\$ 1,118,762
Investments	<u>30,319</u>	<u>27,351</u>
	<u>\$ 1,136,012</u>	<u>\$ 1,146,113</u>

Cash payments for interest were \$3,646 and \$4,727 for the years ended December 31, 2022 and 2021, respectively.

NOTE 8: NET ASSETS

The board has designated the following amounts at December 31:

	<u>2022</u>	<u>2021</u>
Chrysler van payments	\$ 15,801	\$ 19,391
Projects	<u>3,735</u>	<u>6,619</u>
	<u>\$ 19,536</u>	<u>\$ 26,010</u>

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Bookmobile	\$ 3,249	\$ 19,065
Be Ready Rover	<u>-</u>	<u>1,111</u>
	<u>\$ 3,249</u>	<u>\$ 20,176</u>

See the accompanying independent auditor's report.

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	\$ 1,102,444
Accounts receivable	179,957
Prepaid expenses	50,515
Investments	893,682
	<u>\$ 2,226,598</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>2022</u>	<u>2021</u>
Note payable - vehicle loan with monthly principal payments of \$539 through January 2025. The note is non-interest bearing. Secured by the vehicle.	\$ 13,466	\$ 19,391
Paycheck Protection Program loan (see terms below).	-	-
	13,466	19,391
Less: current maturities	(6,464)	(6,464)
Less: Paycheck Protection Program loan	-	-
Total Long-Term Note Payable - Vehicle Loan	<u>\$ 7,002</u>	<u>\$ 12,927</u>

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

2023	\$ 6,464
2024	6,463
2025	539

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 bears 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 Small Business Administration (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.

LIBRARY SYSTEM OF LANCASTER COUNTY  
ANALYSIS OF STATE AND COUNTY FUNDING TO MEMBER LIBRARIES  
YEAR ENDED DECEMBER 31, 2022

Exhibit "F"

	<u>State Aid</u>	<u>County Aid</u>	<u>Total</u>
FUNDING	\$ 2,164,468	\$ 2,068,740	\$ 4,233,208
DISBURSEMENTS			
Adamstown Area Library	59,747	10,391	70,138
Columbia Public Library	47,936	4,990	52,926
ELANCO Library	61,435	8,912	70,347
Elizabethtown Public Library	102,643	10,382	113,025
Ephrata Public Library	160,475	11,075	171,550
Lancaster Public Library	367,909	60,116	428,025
Lititz Public Library	111,346	10,553	121,899
Manheim Community Library	44,892	7,273	52,165
Manheim Township Public Library	154,288	12,465	166,753
Milanof-Schock Library	69,353	9,044	78,397
Moores Memorial Library	59,105	3,417	62,522
Pequea Valley Public Library	98,990	10,146	109,136
Quarryville Library	64,817	12,164	76,981
Strasburg-Heisler Library	55,884	4,072	59,956
Total Disbursements	<u>1,458,820</u>	<u>175,000</u>	<u>1,633,820</u>
FUNDING RETAINED BY SYSTEM	<u>\$ 705,648</u>	<u>\$ 1,893,740</u>	<u>\$ 2,599,388</u>

See the accompanying independent auditor's report.