

BUCKS COUNTY FREE LIBRARY
(A Component Unit of Bucks County)

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bucks County Free Library
Doylestown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bucks County Free Library (a nonprofit corporation and a component unit of the County of Bucks) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bucks County Free Library as of December 31, 2020, and the respective changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

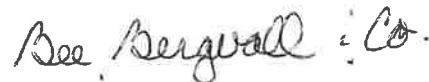
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express our opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bucks County Free Library's basic financial statements. The schedule of functional expenses and schedule of revenue and expenses by individual location are presented for the purposes of additional analysis and is not a required part of the financial statements.

The schedule of functional expenses and schedule of revenue and expenses by individual location are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied to 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 basic financial statements as a whole.

A handwritten signature in cursive script that reads "Bee Bergvall & Co."

Bee, Bergvall and Company, P.C.
Certified Public Accountants

Warrington, PA
May 3, 2021

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Bucks County Free Library is a special purpose government unit as described in Governmental Accounting Standards. The Library additionally is a not-for-profit organization incorporated as a 501(c)(3) organization; and is registered with the Pennsylvania Bureau of Charitable Organizations to raise funds from the general public. A fiduciary Board of Directors appointed by the Bucks County Commissioners governs the Library.

The objective of the MD&A is to “enhance the understandability and usefulness of the general purpose financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.” It is a discussion of the Library’s current year results for the year that ended December 31, 2020 with the prior year, placing emphasis on the current year. Please read it in conjunction with the transmittal letter at the front of this report and the Bucks County Free Library’s financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS (OVERVIEW):

Management believes that the Library System’s financial condition is, at the present time, stable.

- The Library System’s Net Position increased by \$2,640,685 in 2020 due to a strong stock market, reduction in operating costs due to a three month closure for COVID, maintaining revenue streams.
- Operating Revenue during this period increased by \$837,690 from the prior year. This is mainly due to a change in the State funding cycle. Total Operating and Administrative expenses had a decrease of \$444,558, mainly to a three month closure for COVID. It should be noted that 2020 expenses included \$1,365,146 of depreciation.
- The Library System’s primary source of revenue is from the County of Bucks, the total of which represents approximately 56% of the Library System’s total operating revenue for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: Management’s Discussion and Analysis (MD&A), the basic financial statements, the notes to the financial statements, and supplemental information. This MD&A represents management’s analysis of the Library System’s financial condition and performance. Summary financial statement data and other management tools were utilized for analysis. These financial statements report information about the Library using the full accrual method of accounting as utilized by similar not-for-profits in the private sector. These statements offer short and long-term financial information about its activities.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Description of the Basic Financial Statements: The Statement of Net Position (Balance Sheet) shows our liabilities and net worth and provides information about the nature and amounts of investments and resources (assets) and the liabilities to the Library creditors at the year-end. It provides the financial position on a full accrual historical cost basis; the Statement of Activities provides details about revenues, expenses, and net position by invested in capital assets and unrestricted. Furthermore, it presents the result of business activities over the course of the fiscal year and how net position has changed during the year. The Statement of Cash Flows reports the sources and uses of cash from operating and investment activities by using the direct method and is designed to provide information about the Library's cash receipts and disbursements during the period. The Notes to the Financial Statements provide required disclosures and other information essential to a full understanding of the material data provided in the financial statements. The notes present information about the Library System's accounting policies, significant accounts and activities, obligations, commitments and subsequent events, if any.

Condensed Comparative Financial Statements

The following chart summarizes the financial position of the Library as of December 31, 2020 and 2019.

Statements of Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 2,394,980	\$ 701,589
Investments	15,269,443	14,044,798
Capital Assets, net	<u>3,320,713</u>	<u>3,598,064</u>
Total Assets	<u>\$ 20,985,136</u>	<u>\$ 18,344,451</u>
Liabilities		
Current Liabilities	\$ 461,863	\$ 274,916
Compensated Absences	<u>225,151</u>	<u>254,804</u>
Total Liabilities	<u>687,014</u>	<u>529,720</u>
Net Position		
Net Investment in Capital Assets	3,320,713	3,598,064
Restricted Assets	4,209,623	3,919,366
Unrestricted		
Unrestricted: Board Designated	11,059,819	10,125,432
Unrestricted: Undesignated	<u>1,707,967</u>	<u>171,869</u>
Total Net Position	<u>20,298,122</u>	<u>17,814,731</u>
Total Liabilities and Net Position	<u>\$ 20,985,136</u>	<u>\$ 18,344,451</u>

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Condensed Comparative Financial Statements (Continued)

The following chart shows the revenues and expenses of the governmental activities for December 31, 2020 and 2019.

Statements of Activities

	<u>2020</u>	<u>2019</u>
Operating Revenues		
State and Local Funding	\$ 9,912,907	\$ 8,728,180
Fines and Lost Cards	108,445	230,694
Copy/Printer Income	34,527	71,272
Grants	5,367	27,523
Contributions	660,591	644,744
Miscellaneous	61,378	243,112
Total Operating Revenues	<u>10,783,215</u>	<u>9,945,525</u>
 Operating and Administrative Expenses	 <u>10,233,151</u>	 <u>10,677,709</u>
 Operating Income	 550,064	 (732,184)
 Nonoperating Revenue		
Interest Income	472,608	428,230
Investment Realized & Unrealized Gains/(Losses)	1,460,719	2,229,220
Gain on Sale of Asset	-	-
Total Nonoperating Revenue	<u>1,933,327</u>	<u>2,657,450</u>
 Increase in Net Position	 2,483,391	 1,925,266
 Net Position-Beginning of Year	 <u>17,814,731</u>	 <u>15,889,465</u>
Net Position-End of Year	<u>\$ 20,298,122</u>	<u>\$ 17,814,731</u>

Analysis of Overall Financial Position: Total operating revenues in 2020 were \$9,912,907, an increase over 2019. Bucks County General Fund allocation to Bucks County Free Library revenue was \$6,003,000 in 2020, the same as 2019. State Aid to Local Libraries and County Coordination was \$3,666,830, State Aid for District Libraries was \$243,078 in 2020. This represents an increase over 2019 State funding due to a change in annual distribution dates. Together, County and State aid account for 92% of the Library's operating revenues.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Condensed Comparative Financial Statements (Continued)

Significant Transactions and Changes in Individual Funds: There were no significant activities to report in this period.

Budgetary Analysis: Capital project grants and Special Funds income (donation and permanently/temporarily restricted income) were not budgeted as revenue in 2020, but appear in the Schedule of Functional Expenses as expenditures.

Capital Assets and Long-Term Debt: Capital improvements additions of \$595,605 included the replacement of windows at the Levittown branch, carpet replacement at the Doylestown branch, façade replacement at the Perkasie branch and completion of the Doylestown elevator.

Investments: The investments listed below are either restricted by the donor or board designated. This table lists the name of the investment and the restriction:

<u>Investment Name</u>	<u>Restriction or Designation</u>
Collection Material Endowment	Endowment established to provide total return funding (4%) into the operating budget for collection enhancement purchases. This includes books, audio material, databases and e-resources.
Capital Reserve	Established to provide capital improvement funds over and above government allocations or operating budget limitations.
General Operating Reserve	Established to provide at least three months of funding in the event of a delay of government funding.
Disbrow	Yardley – Designated by donor as Yardley only and solely for business related materials and programs. May be “widely interpreted” to benefit the whole library system, such as county wide databases and programs, but must maintain strong local Yardley focus. Funds administered by outside firm which awards annual amount of interest to BCFL based on their formula.
Bucks County Foundation	Fund established for an additional opportunity for the general public to give to the library mission, without giving directly to the library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.
Lehigh Valley Community Foundation	Fund established for an additional opportunity for the general public, including Central and Upper Bucks County to give to the library mission, without giving directly to the library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Currently Known Facts, Decisions, or Conditions: The Library has evaluated events of the COVID-19 coronavirus and uncertainties have arisen which are likely to impact our investment results. We currently do not use our investment returns for operating income and capital needs for 2020 have already been set aside. However, the related financial impact and duration cannot be reasonably estimated at this time.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Bucks County Free Library at 150 South Pine Street, Doylestown, Pennsylvania, 18901 or by phone at (215) 348-0332.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF NET POSITION

December 31, 2020

ASSETS

	<u>2020</u>
Current Assets	
Cash and Cash Equivalents	\$ 2,128,561
Accounts Receivable	<u>266,419</u>
Total Current Assets	<u>2,394,980</u>
Investments	
Unrestricted	11,059,819
Restricted	109,560
Beneficial Interest in Perpetual Trust	<u>4,100,064</u>
Total Investments	<u>15,269,443</u>
Capital Assets	14,617,298
Less: Accumulated Depreciation	<u>(11,296,585)</u>
Net Capital Assets	<u>3,320,713</u>
TOTAL ASSETS	<u>\$ 20,985,136</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 320,867
Accrued Salaries and Payroll Taxes	<u>140,996</u>
Total Current Liabilities	<u>461,863</u>
Compensated Absences	<u>225,151</u>
Total Liabilities	<u>687,014</u>
Net Position	
Net Investment in Capital Assets	3,320,713
Restricted	4,209,623
Unrestricted	
Unrestricted: Board Designated	11,059,819
Unrestricted: Undesignated	<u>1,707,967</u>
Total Net Position	<u>20,298,122</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 20,985,136</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>2020</u>
Operating Revenues	
State Aid	\$ 3,909,907
Local	
County of Bucks Aid	6,003,000
Fines and Lost Cards	108,445
Copy/Printer Income	34,527
Grants	5,367
Contributions	660,591
Miscellaneous	<u>61,378</u>
Total Operating Revenues	<u>10,783,215</u>
Operating Expenses	
Program Services	
Library	7,846,408
Pennsylvania Aid	485,435
Technical	591,856
Support Services	
Management and General	<u>1,309,452</u>
Total Operating Expenses	<u>10,233,151</u>
Operating Income	<u>550,064</u>
Nonoperating Revenue	
Interest Income	472,608
Investment Realized & Unrealized Gains/(Losses)	<u>1,460,719</u>
Total Nonoperating Revenue	<u>1,933,327</u>
Change in Net Position	2,483,391
Net Position - Beginning of Year	<u>17,814,731</u>
Net Position - End of Year	<u>\$ 20,298,122</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2020

	<u>2020</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 142,972
Receipts from intergovernmental support	9,918,274
Miscellaneous cash income	61,378
Contributions	660,591
Payments to suppliers	(4,878,581)
Payments to employees	(4,025,918)
Net cash provided by operating activities	<u>1,878,716</u>
Cash flows from (used in) capital and related financing activities:	
Purchase of property and equipment	<u>(1,087,797)</u>
Net cash from (used in) capital and related financing activities	<u>(1,087,797)</u>
Cash flows from investing activities:	
Purchase of investments	(2,190,078)
Sale and maturities of investments	2,426,138
Interest and other income received	472,604
Net cash provided by investing activities	<u>708,664</u>
Net increase (decrease) in cash and cash equivalents	1,499,583
Cash and cash equivalents, beginning of year	<u>628,978</u>
Cash and cash equivalents, end of year	<u>\$ 2,128,561</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating Income	\$ 550,064
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,365,146
(Increase) decrease in:	
Accounts receivable	(193,788)
Increase (decrease) in:	
Accounts payable and accrued expenses	153,653
Accrued salaries and payroll taxes	33,294
Compensated absences	(29,653)
Total adjustments	<u>1,328,652</u>
Net cash provided by operating activities	<u>\$ 1,878,716</u>

The notes to the financial statements are an integral part of this statement.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1. Summary of Significant Accounting Principles

Reporting Entity: Bucks County Free Library (Library) is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Library consists of seven branches that provide library services to over 275,000 cardholders throughout Bucks County. As a free public library, the Library provides material, information and programs through its network. These resources are available to residents of all ages. The Library is considered a component unit of Bucks County because of the significance of its operational and/or financial relationship with the County.

Accounting Basis: The Library conforms to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The Library's financial statements are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are incurred. The financial statements are presented using the economic resource measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity is included on the Statement of Net Position. The operating statement presents increases (revenues) and decreases (expenses) in Total Net Position.

Revenue Recognition: Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Library. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use board discretion as to which resources to use first, restricted or unrestricted, as they are needed for their intended purpose.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Library does not have any items that qualify for reporting in this category.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1. Summary of Significant Accounting Principles (Continued)

Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Library does not have any items that qualify for reporting in this category.

Tax Exempt Status: The Library is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. No current tax obligation exists on the Federal or State level. Additionally, the Library has been classified as a Library that is not a private foundation under Section 509(a)(2).

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions: Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net position depending on the nature of the restrictions. When a restriction expires, temporarily restricted net position is reclassified to unrestricted net position.

Functional Expenses: Expenses are allocated to the various programs based on direct charges for those items specifically identified with the respective programs. Other charges are allocated in accordance with appropriate bases.

County Dependency: The primary source of funding for this Library is a contribution from Bucks County. During 2020, the contribution was \$6,003,000 from Library Tax Revenue and \$420,000 from a donation of in-kind rent. The contribution represents approximately 60% of the Library's operating revenues.

Cash and Cash Equivalents: The Library considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Budget: The Library adopts and maintains a yearly budget. The budget is subject to correction and changes during the year at the discretion of the Board of Directors.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1. Summary of Significant Accounting Principles (Continued)

Inventory: The Library does not maintain inventory. Books and periodicals, with useful lives of one year or more, are considered to be capital assets and are depreciated accordingly.

Capital Assets: Betterments and replacements of major assets are capitalized at cost. Maintenance, repairs and minor replacements are expensed. The Library capitalizes all capital asset expenses over \$2,500 with an estimated useful life in excess of one year. Library books, with a useful life extending beyond one year that comprises the Library's collection, are recorded as capital assets. Because of their nature and relevance to the Library's operations; they are capitalized despite individually being below the \$2,500 capitalization threshold.

The cost and accumulated depreciation of property sold or retired are removed from the related assets and accumulated depreciation accounts and the resultant gain or loss is recorded. Depreciation is provided for financial reporting purposes on the straight-line method at rates based on estimated useful lives as follows:

Building and Improvements	39 years
Furniture and Equipment	3 - 7 years
Vehicles	8 years
Library Books and Material	4 years

Restricted Assets: Certain cash and investments have been classified as restricted assets on the statement of net position because of donor imposed restrictions on their use.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the statement of net position. Unrealized gains and losses are included in the change in net position. Donated investments are reflected as contributions at their market values at the date of receipt. For the year ended December 31, 2020, all investments were held common stocks, mutual funds, real estate, or other investments (reported at market value). Interest earnings, realized gains and losses, and unrealized gains and losses are reported in revenues.

Donated Services: Volunteers periodically donate their time to the Library's program services and fundraising activities. An amount has not been recognized in the accompanying statement of activities for these volunteer efforts because they did not meet the requirements for recognition.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1. Summary of Significant Accounting Principles (Continued)

In-kind Contributions: In addition to cash contributions, the Organization also receives donated facilities. These goods and services are recorded at their estimated fair value at the time of receipt. The County of Bucks provides six library sites free of rent charges. The Pierce Library Association provides the Samuel Pierce Branch Library site at an annual rent of \$1. The corresponding in-kind contributions received for the year ended December 31, 2020 reflected in these financial statements consisted of \$420,000 in donated facilities.

Compensated Absences: The Library's policy permits employees to accumulate unused vacation and sick time. These benefits are payable to employees upon separation of services. All leave time is accrued when incurred in the financial statements. A liability for these amounts is reported. At December 31, 2020, the liability for accrued compensated absences is \$225,151.

Advertising: All advertising costs are expensed when incurred.

Net Position: Net position is presented in classifications as defined as follows:

Net investment in capital asset – consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – these resources are segregated because they represent the funds restricted by the donor.

Unrestricted – includes all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Subsequent Events: We have evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued. No amounts were recognized or disclosed.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2. Defined Contribution Retirement Plan

The Library offers an open retirement plan for all employees upon employment. Upon completion of one year of service, based on the meaning of the Plan, the Library will match the employee's contribution up to 5% of their compensation and up to 7% after 9 years of service after working 1,000 hours or more. The employees are vested within the plan over a period of five years at which time they become fully vested. If the employee leaves the employ of the Library prior to 100% vesting they will lose the matching portions of the contributions that are not yet vested. Vesting in the plan will occur consistent with the following:

After Year 2: 20% vesting
After Year 3: 40% vesting
After Year 4: 60% vesting
After Year 5: 100% vesting

Contributions to the plan were \$124,099 for the year ended December 31, 2020.

NOTE 3. Cash and Investments

Fair Value Measurements: The Library categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Library has the following recurring fair value measurements as of December 31, 2020 that were all considered Level 1:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Short Term Reserves	\$ 187,164	\$ 187,164	\$ -
Common Stocks	3,765,089	3,765,089	-
Mutual Funds: Domestic Equity	4,416,846	4,416,846	-
Mutual Funds: Int'l Equity	2,824,591	2,824,591	-
Mutual Funds: Int'l Bond	1,221,675	1,221,675	-
Mutual Funds: Fixed Income	2,854,078	2,854,078	-
Total	<u>\$ 15,269,443</u>	<u>\$ 15,269,443</u>	<u>\$ -</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 3. Cash and Investments (Continued)

Custodial Credit Risk - Deposits: The Library does not have a deposit or investment policy for interest rate risk or custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library's banking institution provides a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

At year-end, the amount shown on the statement of net positions was \$2,128,561, \$27,400 in EITC funds included in restricted investments, and the bank balance was \$2,385,890. Of the bank balance, \$250,000 was covered by bank depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Library's name. At December 31, 2020, the amount in excess of this insurance was \$2,135,890.

Custodial Credit Risk - Investment: For an investment, this is the risk that, in the event of a failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Library maintains its investments at various financial institutions. The Securities Investors Protection Corporation ("SIPC"), a non-government entity, replaces missing stocks and other securities in customer accounts held by its members, up to \$50,000, including \$250,000 in cash, if a member broker or bank broker subsidiary fails. The Library maintains its investments in brokerage accounts covered by SIPC.

Credit Risk: In accordance with accounting standards the Library is required to disclose the credit quality rating of fixed income securities: The bond mutual funds are not rated by Standard & Poor's.

Market Risk: Market risk is the risk that changes in market prices- such as interest rates and equity prices will affect the fair value of its holdings. The Vanguard investments consisted of 73% of the Library's total investments. The remaining 27% of the Library's total investments are in trust.

BUCKS COUNTY FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 4. Capital Assets

Capital Assets consist of the following at December 31:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 4,878,673	\$ 530,223	\$ -	\$ 5,408,896
Furniture and Fixtures	1,598,809	34,741	-	1,633,550
Vehicles	196,329	30,642	-	226,971
Library Book Collections	<u>6,855,690</u>	<u>492,191</u>	<u>-</u>	<u>7,347,881</u>
Total Capital Assets	13,529,501	1,087,797	-	14,617,298
 Accumulated Depreciation	 <u>(9,931,438)</u>	 <u>(1,365,148)</u>	 <u>-</u>	 <u>(11,296,586)</u>
 Net Capital Assets	 <u>\$ 3,598,063</u>	 <u>\$ (277,351)</u>	 <u>\$ -</u>	 <u>\$ 3,320,712</u>

NOTE 5. Operating Leases

The Library leases office equipment under an operating lease agreement which requires a monthly payment in the amount of \$2,618, and expired October 2019. The lease was renewed October 2019 for another year. Lease expense under all operating leases, including charges for additional usage, for the year ended December 31, 2020, was \$32,431.

NOTE 6. Litigation and Contingencies

During the normal course of performing its duties for the general public which it serves, the Library is subject to potential lawsuits and complaints. At December 31, 2020 there were no claims that management feels would have material effect of the Library's financial position.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 7. Restricted Assets

The Library has investments restricted for use by the donor. At December 31, 2020 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at</u> <u>12/31/20</u>
Disbrow	Designated by donor as Yardley only and solely for business related materials and programs. May be "widely interpreted" to benefit the whole library system, such as county wide databases and programs, but must maintain strong local Yardley focus. Funds administered by outside firm which awards annual amount of interest to BCFL based on their formula.	\$ 4,100,064
Bucks Cty Foundation	Fund established for an additional opportunity for the general public to give to the Library mission, without giving directly to the Library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.	47,539
Lehigh Valley Community Foundation	Fund established for an additional opportunity for the general public to give to the Library mission, without giving directly to the Library. Fund administered by outside firm which awards annual amount of interest to BCFL based on their formula.	34,620
EITC Funds	Designated by the donor as part of the Educational Improvement Tax Credit (EITC) program designated for education improvement.	<u>27,400</u>
Total		<u>\$ 4,209,623</u>

The Library has been designated the income beneficiary of the assets contained in an irrevocable Perpetual Trust being held by an independent investment manager, in accordance with the Last Will and Testament of Hamilton G. Disbrow, Jr. The provision of the trust does not give ownership of any amount of principal to the Library. Further, the Library has no voice in the appointment of the investment manager or their investment decisions. The Library receives only annual income distributions during the fiscal year. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream of the trust, the Library recorded \$4,100,064 as a beneficial interest, which is the total fair market value of the principal upon which its income distributions are based as permanently restricted assets.

For the year ended December 31, 2020, the Library received income from the irrevocable trust of \$171,816 which has been included in unrestricted income in accordance with the specifics of the trust in the statement of activities. Also, an increase in the fair value of the beneficial interest of \$443,175 has been recorded as restricted activity for the year ended December 31, 2020 in accordance with the specifics of the trust in the statement of activities.

BUCKS COUNTY FREE LIBRARY
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 8. Board Designated Net Position

The Board has designated the following funds at December 31, 2020 for the purpose restrictions as follows:

<u>Fund</u>	<u>Board Designation</u>	<u>Balance at 12/31/20</u>
Collection Material Endowment	Endowment established to provide total return funding (4%) into the operating budget for collection enhancement purchases. This includes books, audio material, databases and e-resources.	\$ 3,049,109
General Operating Reserve	These funds will support operations in the event of funding delays primarily by the County or State. The minimum amount to be designated as operating reserve will be an amount sufficient to maintain ongoing operations for three (3) months. These funds will be used to cover future capital needs over and above any government allocations or operating budget limitations.	2,500,000
Capital Reserve		<u>5,510,710</u>
	Total	<u>\$ 11,059,819</u>

NOTE 9. Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruption related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Library is unable to determine if it will have a material impact on its operations.

SUPPLEMENTAL INFORMATION

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1
SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2020

	<u>Library Services</u>	<u>Digital and Technical</u>	<u>Program Service Total</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,221,424	\$ 255,955	\$ 3,477,379	\$ 552,180	\$ 4,029,559
Payroll Taxes and Benefits	<u>687,197</u>	<u>51,436</u>	<u>738,633</u>	<u>168,709</u>	<u>907,342</u>
Total Salaries and Employment Expenses	3,908,621	307,391	4,216,012	720,889	4,936,901
Professional Services	350,363	11,112	361,475	89,174	450,649
Periodical Subscriptions	31,908	-	31,908	-	31,908
Audiovisual/CD Rom Materials	98,583	-	98,583	-	98,583
Electronic Information	1,028,934	-	1,028,934	-	1,028,934
Toys	172	-	172	-	172
Supplies	222,985	-	222,985	11,598	234,583
Printing and Advertising	6,412	66	6,478	1,402	7,880
Telecommunications and Telephone	-	134,221	134,221	-	134,221
Utilities	229,207	-	229,207	-	229,207
Building Repairs and Maintenance	181,277	-	181,277	212	181,489
Postage	2,572	-	2,572	2,429	5,001
Travel and Conference	7,412	1,158	8,570	213	8,783
Staff Development	5,430	2,253	7,683	5,545	13,228
Lease Expense	-	32,431	32,431	-	32,431
Computer Equipment	11,724	23,104	34,828	-	34,828
Insurance	17,437	796	18,233	4,118	22,351
Technology and Network	228,849	79,309	308,158	6,219	314,377
Equipment Maintenance and Rent	32,812	15	32,827	-	32,827
Vehicle Expense	21,340	-	21,340	-	21,340
Depreciation	1,365,146	-	1,365,146	-	1,365,146
Bank Fees	8,996	-	8,996	36,188	45,184
Dues and Membership	86,228	-	86,228	11,465	97,693
Facility Usage	-	-	-	420,000	420,000
State Aid to Public Libraries	485,435	-	485,435	-	485,435
Total Expenses	<u>\$ 8,331,843</u>	<u>\$ 591,856</u>	<u>\$ 8,923,699</u>	<u>\$ 1,309,452</u>	<u>\$ 10,233,151</u>

BUCKS COUNTY FREE LIBRARY

**SCHEDULE 2
SCHEDULE OF REVENUES AND EXPENSES
BY INDIVIDUAL LOCATION**

December 31, 2020

	<u>Administrative</u>	<u>Outreach</u>	<u>District Consultant</u>	<u>Information Technology</u>	<u>Children's Services</u>	<u>Access Services</u>	<u>Facilities</u>	<u>Library Center</u>
Income								
County Funding	\$ 6,003,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid	3,666,830	-	243,077	-	-	-	-	-
Donations	571,584	-	-	-	-	-	-	1,976
Copy/Printer Income	-	-	-	-	-	-	-	5,488
Fines	-	-	-	-	-	-	-	78,193
Lost Card	-	-	-	-	-	-	-	-
Lost and Damaged Material	-	-	-	-	-	-	-	3,214
Miscellaneous Grants	1,500	-	3,871	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	40
Passport Income	-	-	-	-	-	-	-	-
Vending Machine Income	-	-	-	-	-	-	-	1,334
Book Sales	-	-	-	-	-	-	-	4,140
Realized/Unrealized Gain (Loss)	-	-	-	-	-	-	-	-
Interest Income	174,237	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Asset	-	-	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	-	-	-	56
Total Income	10,417,151	-	246,948	-	-	-	-	94,441
Expenses								
Salaries and Wages	552,180	-	105,781	255,955	226,857	181,335	295,330	516,965
Payroll Taxes and Benefits	168,709	-	27,195	51,436	44,886	32,466	91,425	96,505
Professional Services	89,174	-	1,757	11,112	9,341	-	40,451	65,461
Periodical Subscriptions	-	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	-	-	-	-	-	-
Electronic Information	-	-	-	-	-	17,394	-	-
Toys	-	-	-	-	-	-	-	-
Supplies	11,598	-	16,232	-	20,870	2,188	-	4,735
Printing and Advertising	1,402	1	-	66	-	3,816	2,595	-
Telecommunications and Telephone	-	-	-	134,221	-	-	-	-
Utilities	-	-	-	-	-	-	-	64,161
Building Repairs and Maintenance	212	-	-	-	-	-	111,715	18,471
Postage	2,429	-	10	-	-	-	-	-
Travel and Conference	213	-	149	1,158	159	713	1,809	987
Staff Development	5,545	-	456	2,253	1,217	812	-	383
Lease Expense	-	-	-	32,431	-	-	-	-
Computer Equipment	-	-	-	23,104	-	11,724	-	-
Insurance	4,118	-	-	796	-	992	16,445	-
Technology and Network	6,219	-	10,192	79,309	-	218,307	-	-
Equipment Maintenance and Rent	-	-	-	15	-	1,147	30,410	898
Vehicle Expense	-	-	-	-	-	80	21,260	-
Depreciation	-	-	-	-	-	-	-	-
Kiosk Fees	17	-	-	-	-	-	-	7,695
Dues and Membership	11,465	-	12,073	-	-	360	-	171
Facility Usage	420,000	-	-	-	-	-	-	-
State Aid to Public Libraries	485,435	-	-	-	-	-	-	-
Total Expenses	1,758,716	1	173,845	591,856	303,330	471,334	611,440	776,432
Net Income Over (Under) Expenses	\$ 8,658,435	\$ (1)	\$ 73,103	\$ (591,856)	\$ (303,330)	\$ (471,334)	\$ (611,440)	\$ (681,991)

<u>Levittown</u>	<u>James A Michener</u>	<u>Penwood</u>	<u>Samuel Pierce</u>	<u>Yardley Makefield</u>	<u>Bensalem</u>	<u>Capital & Investments</u>	<u>Collection Management</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,003,000
-	-	-	-	-	-	-	-	3,909,907
454	870	799	3,046	20,568	492	60,802	-	660,591
8,231	4,751	2,543	2,399	3,242	7,873	-	-	34,527
4,206	5,989	2,696	4,526	7,043	5,777	-	-	108,430
3	-	12	-	-	-	-	-	15
447	623	-	634	138	117	-	-	5,173
-	-	-	-	-	-	-	-	5,371
-	30	10	-	60	-	-	-	140
-	-	-	-	-	44,980	-	-	44,980
-	-	-	-	-	-	-	-	1,334
511	438	150	1,767	1,357	597	-	-	8,960
-	-	-	-	-	-	1,460,719	-	1,460,719
-	-	-	-	-	-	298,367	-	472,604
-	-	-	-	-	-	-	-	-
45	35	150	-	35	470	-	-	791
<u>13,897</u>	<u>12,736</u>	<u>6,360</u>	<u>12,372</u>	<u>32,443</u>	<u>60,306</u>	<u>1,819,888</u>	<u>-</u>	<u>12,716,542</u>
246,647	297,791	210,063	190,721	271,357	293,304	-	385,273	4,029,559
33,776	70,475	36,589	46,278	59,597	54,616	-	93,389	907,342
21,763	29,868	34,617	11,465	19,745	22,755	92,780	360	450,649
-	-	-	-	-	-	-	31,908	31,908
-	-	-	-	-	-	-	98,583	98,583
-	-	-	-	-	-	-	1,011,540	1,028,934
-	-	-	-	-	-	-	172	172
1,972	1,443	713	1,823	2,690	3,552	-	166,767	234,583
-	-	-	-	-	-	-	-	7,880
-	-	-	-	-	-	-	-	134,221
18,653	49,793	28,441	29,026	19,387	19,746	-	-	229,207
8,678	9,333	7,489	5,979	9,026	10,586	-	-	181,489
-	-	-	21	-	2,452	-	89	5,001
215	18	1,037	158	81	1,057	-	1,029	8,783
-	576	-	-	-	-	-	1,986	13,228
-	-	-	-	-	-	-	-	32,431
-	-	-	-	-	-	-	-	34,828
-	-	-	-	-	-	-	-	22,351
-	-	-	-	-	350	-	-	314,377
-	-	357	-	-	-	-	-	32,827
-	-	-	-	-	-	-	-	21,340
-	-	-	-	-	-	1,365,146	-	1,365,146
55	95	21	71	74	985	36,171	-	45,184
-	185	-	-	184	-	-	73,255	97,693
-	-	-	-	-	-	-	-	420,000
-	-	-	-	-	-	-	-	485,435
<u>331,759</u>	<u>459,577</u>	<u>319,327</u>	<u>285,542</u>	<u>382,141</u>	<u>409,403</u>	<u>1,494,097</u>	<u>1,864,351</u>	<u>10,233,151</u>
<u>\$ (317,862)</u>	<u>\$ (446,841)</u>	<u>\$ (312,967)</u>	<u>\$ (273,170)</u>	<u>\$ (349,698)</u>	<u>\$ (349,097)</u>	<u>\$ 325,791</u>	<u>\$ (1,864,351)</u>	<u>\$ 2,483,391</u>