

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2022

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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 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, 2022 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Bucks County Free Library as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bucks County Free Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Bucks County Free Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. 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 GAAS 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, intentional omissions, 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 GAAS, 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 the Bucks County Free Library'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 the Bucks County Free Library'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 about 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 an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses and schedule of revenue and expenses by individual location is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bee, Bergvall & Co.

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

Warrington, PA
April 18, 2023

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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, 2022 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 decreased by \$2,485,447 in 2022 due to a weak stock market.
- Operating Revenue during this period increased by \$1,197,437 from the prior year. This is mainly due to an increase in State funding and an increase of \$112,516 in grants. Total Operating and Administrative Expenses increased \$359,505, as we purchased more collection material and outsourced some IT duties. It should be noted that 2022 expenses included \$1,249,028 of depreciation.
- The Library System’s primary source of revenue is from the County of Bucks, the total of which represents approximately 59% of the Library System’s total operating revenue for 2022.

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, 2022

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, 2022 and 2021.

Statements of Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 2,367,099	\$ 1,839,693
Investments	14,423,138	17,509,214
Capital Assets, Net	<u>2,815,865</u>	<u>2,742,642</u>
Total Assets	<u>\$ 19,606,102</u>	<u>\$ 22,091,549</u>
Liabilities		
Current Liabilities	\$ 755,229	\$ 414,086
Compensated Absences	<u>225,807</u>	<u>204,345</u>
Total Liabilities	<u>981,036</u>	<u>618,431</u>
Net Position		
Net Investment in Capital Assets	2,815,865	2,742,642
Restricted Assets	3,751,750	4,716,261
Unrestricted		
Unrestricted: Board Designated	10,745,788	12,792,953
Unrestricted: Undesignated	<u>1,311,663</u>	<u>1,221,262</u>
Total Net Position	<u>18,625,066</u>	<u>21,473,118</u>
Total Liabilities and Net Position	<u>\$ 19,606,102</u>	<u>\$ 22,091,549</u>

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

Condensed Comparative Financial Statements (Continued)

The following chart shows the revenues and expenses of the governmental activities for December 31, 2022 and 2021.

Statements of Activities

	<u>2022</u>	<u>2021</u>
Operating Revenues		
State and Local Funding	\$ 9,017,500	\$ 7,954,509
Fines	153,240	157,057
Copy/Printer Income	57,018	49,602
Grants	232,448	119,932
Contributions	709,415	748,818
Miscellaneous	<u>77,374</u>	<u>19,640</u>
Total Operating Revenues	<u>10,246,995</u>	<u>9,049,558</u>
Operating and Administrative Expenses	<u>10,220,196</u>	<u>9,860,691</u>
Operating Income	26,799	(811,133)
Nonoperating Revenue		
Interest Income	244,066	564,895
Investment Realized & Unrealized Gains/(Losses)	(3,124,821)	1,415,724
Gain on Sale of Asset	<u>5,904</u>	<u>5,510</u>
Total Nonoperating Revenue	<u>(2,874,851)</u>	<u>1,986,129</u>
Increase/(Decrease) in Net Position	(2,848,052)	1,174,996
Net Position-Beginning of Year	<u>21,473,118</u>	<u>20,298,122</u>
Net Position-End of Year	<u>\$ 18,625,066</u>	<u>\$ 21,473,118</u>

Analysis of Overall Financial Position: Total operating revenues in 2022 were \$10,246,995, an increase over 2021. The County of Bucks contribution was \$6,003,000 in 2022, the same as 2021. State Aid to Local Libraries and County Coordination was \$2,444,553, State Aid for District Libraries was \$569,947 in 2022. This represents an increase over 2021 State funding. Together, County and State aid account for 88% of the Library's operating revenues.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022

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 2022, but appear in the Schedule of Functional Expenses as expenditures.

Capital Assets and Long-Term Debt: Capital improvements additions of \$612,519 included the replacement of HVAC units in our Levittown and Bensalem branches, replacement of the roof at the Langhorne branch, and repair and replacement of windows in our Bensalem branch. For the year ended December 31, 2022, capital assets consisted of the following:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 5,450,003	\$ 588,161	\$ (85,150)	\$ 5,953,014
Furniture and Fixtures	1,571,076	172,350	(71,376)	1,672,050
Vehicles	239,514	-	-	239,514
Library Book Collections	<u>7,940,421</u>	<u>567,836</u>	<u>(3,008,445)</u>	<u>5,499,812</u>
Total Capital Assets	15,201,014	1,328,347	(3,164,971)	13,364,390
 Accumulated Depreciation	 <u>(12,458,372)</u>	 <u>(1,249,028)</u>	 <u>3,158,875</u>	 <u>(10,548,525)</u>
 Net Capital Assets	 <u>\$ 2,742,642</u>	 <u>\$ 79,319</u>	 <u>\$ (6,096)</u>	 <u>\$ 2,815,865</u>

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.

(Continued)

BUCKS COUNTY FREE LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2022

<u>Investment Name</u>	<u>Restriction or Designation</u>
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.

Currently Known Facts, Decisions, or Conditions: We currently do not use our investment returns for operating income and capital needs for 2022 have already been set aside.

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, 2022

ASSETS

	<u>2022</u>
Current Assets	
Cash and Cash Equivalents	\$ 2,336,310
Accounts Receivable	30,413
Prepaid Expenses	<u>376</u>
Total Current Assets	<u>2,367,099</u>
Investments	
Unrestricted	10,671,388
Restricted	152,644
Beneficial Interest in Perpetual Trust	<u>3,599,106</u>
Total Investments	<u>14,423,138</u>
Capital Assets	13,364,390
Less: Accumulated Depreciation	<u>(10,548,525)</u>
Net Capital Assets	<u>2,815,865</u>
TOTAL ASSETS	<u>\$ 19,606,102</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 598,139
Accrued Salaries and Payroll Taxes	<u>157,090</u>
Total Current Liabilities	<u>755,229</u>
Compensated Absences	<u>225,807</u>
Total Liabilities	<u>981,036</u>
Net Position	
Net Investment in Capital Assets	2,815,865
Restricted	3,751,750
Unrestricted	
Unrestricted: Board Designated	10,745,788
Unrestricted: Undesignated	<u>1,311,663</u>
Total Net Position	<u>18,625,066</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,606,102</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, 2022

	<u>2022</u>
Operating Revenues	
State Aid	\$ 3,014,500
Local	
County of Bucks Aid	6,003,000
Fines	153,240
Copy/Printer Income	57,018
Grants	232,448
Contributions	709,415
Miscellaneous	<u>77,374</u>
Total Operating Revenues	<u>10,246,995</u>
Operating Expenses	
Program Services	
Library	8,064,419
Pennsylvania Aid	342,660
Technical	526,337
Support Services	
Management and General	<u>1,286,780</u>
Total Operating Expenses	<u>10,220,196</u>
Operating Income	<u>26,799</u>
Nonoperating Revenue	
Interest Income	244,066
Investment Realized & Unrealized Gains/(Losses)	(3,124,821)
Gain/(Loss) on Sale of Asset	<u>5,904</u>
Total Nonoperating Revenue	<u>(2,874,851)</u>
Change in Net Position	(2,848,052)
Net Position - Beginning of Year	<u>21,473,118</u>
Net Position - End of Year	<u>\$ 18,625,066</u>

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2022

	<u>2022</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 210,258
Receipts from intergovernmental support	9,017,500
Miscellaneous cash income	77,374
Contributions and grants	941,863
Payments to suppliers	(4,870,237)
Payments to employees	<u>(3,726,360)</u>
Net cash provided by operating activities	<u>1,650,398</u>
Cash flows from (used in) capital and related financing activities:	
Purchase of property and equipment	(1,328,347)
Gain/(loss) on sale of equipment	<u>5,904</u>
Net cash from (used in) capital and related financing activities	<u>(1,322,443)</u>
Cash flows from investing activities:	
Purchase of investments	(277,519)
Sale and maturities of investments	30,547
Distribution from beneficial interest in perpetual trust	214,303
Interest and other income received	<u>244,066</u>
Net cash provided by investing activities	<u>211,397</u>
Net increase (decrease) in cash and cash equivalents	539,352
Cash and cash equivalents, beginning of year	<u>1,796,958</u>
Cash and cash equivalents, end of year	<u>\$ 2,336,310</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating Income	\$ 26,799
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,249,028
(Increase) decrease in:	
Accounts receivable	12,342
Prepaid expense/inventory	(376)
Increase (decrease) in:	
Accounts payable and accrued expenses	359,531
Accrued salaries and payroll taxes	(18,388)
Compensated absences	<u>21,462</u>
Total adjustments	<u>1,623,599</u>
Net cash provided by operating activities	<u>\$ 1,650,398</u>

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022

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 is a contribution from the County of Bucks. During 2022, the contribution was \$6,003,000 and an in-kind donation of rent valued at \$441,000. The contribution represents approximately 63% 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, 2022

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, 2022, all investments were held in common stocks, mutual funds, real estate, or other investments. 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, 2022

NOTE 1. Summary of Significant Accounting Principles (Continued)

In-kind Contributions: In addition to cash contributions, the Library 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, 2022 reflected in these financial statements consisted of \$441,000 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, 2022, the liability for accrued compensated absences is \$225,807.

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."

New Accounting Pronouncements: Governmental Accounting Statement No. 87, Leases, has been implemented for 2022. The implementation had no effect on net position. Additional information can be found in Note 5.

Governmental Accounting Standards Board has issued statements that will become effective in future years. Management has not yet determined the impact of these statements on the financial statements.

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.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 \$97,920 for the year ended December 31, 2022.

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, 2022 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	\$ 225,865	\$ 225,865	\$ -
Common Stocks	2,341,439	2,341,439	-
Mutual Funds: Domestic Equity	5,080,567	5,080,567	-
Mutual Funds: Int'l Equity	2,815,218	2,815,218	-
Mutual Funds: Int'l Bond	1,137,164	1,137,164	-
Mutual Funds: Fixed Income	2,822,885	2,822,885	-
Total	<u>\$ 14,423,138</u>	<u>\$ 14,423,138</u>	<u>\$ -</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 carrying value of cash was \$2,336,310, and the bank balance was \$2,347,933. 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, 2022, the amount in excess of this insurance was \$2,097,933.

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 \$500,000, 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 75% of the Library's total investments. The remaining 25% of the Library's total investments are in trust.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4. Capital Assets

Capital Assets consist of the following at December 31, 2022:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 5,450,003	\$ 588,161	\$ (85,150)	\$ 5,953,014
Furniture and Fixtures	1,571,076	172,350	(71,376)	1,672,050
Vehicles	239,514	-	-	239,514
Library Book Collections	<u>7,940,421</u>	<u>567,836</u>	<u>(3,008,445)</u>	<u>5,499,812</u>
Total Capital Assets	15,201,014	1,328,347	(3,164,971)	13,364,390
Accumulated Depreciation	<u>(12,458,372)</u>	<u>(1,249,028)</u>	<u>3,158,875</u>	<u>(10,548,525)</u>
Net Capital Assets	<u>\$ 2,742,642</u>	<u>\$ 79,319</u>	<u>\$ (6,096)</u>	<u>\$ 2,815,865</u>

NOTE 5. Leases

The Library leases office equipment under a lease agreement which requires a monthly payment in the amount of \$1,208 and expires December, 2024. Lease expense, including charges for additional copy usage, totaled \$30,228 for the year ended December 31, 2022. The future minimum lease payments are \$14,496 for each of the years ending 2023 and 2024. The present value of the future minimum lease payments is not considered to be material and has not been recorded as a liability in these financial statements.

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, 2022 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, 2022

NOTE 7. Restricted Assets

The Library has investments restricted for use by the donor. At December 31, 2022 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at</u> <u>12/31/22</u>
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.	\$ 42,769
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.	35,475
EITC Funds	Designated by the donor as part of the Educational Improvement Tax Credit (EITC) program designated for education improvement.	<u>74,400</u>
	Subtotal	<u>152,644</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.	<u>3,599,106</u>
	Total	<u>\$ 3,751,750</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 \$3,599,106 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, 2022, the Library received income from the irrevocable trust of \$178,523 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 \$336,666 has been recorded as restricted activity for the year ended December 31, 2022 in accordance with the specifics of the trust in the statement of activities.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8. Board Designated Net Position

The Board has designated the following funds at December 31, 2022 for the purpose restrictions as follows:

<u>Fund</u>	<u>Board Designation</u>	<u>Balance at</u> <u>12/31/22</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.	\$ 3,007,728
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	2,500,000
Capital Reserve	limitations.	<u>5,238,060</u>
	Total	<u>\$ 10,745,788</u>

SUPPLEMENTAL INFORMATION

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1
SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2022

	<u>Library</u> <u>Services</u>	<u>Digital and</u> <u>Technical</u>	<u>Program Service</u> <u>Total</u>	<u>Management</u> <u>and General</u>	<u>Total</u>
Salaries and Wages	\$ 3,106,935	\$ 136,870	\$ 3,243,805	\$ 485,629	\$ 3,729,434
Payroll Taxes and Benefits	<u>629,140</u>	<u>30,283</u>	<u>659,423</u>	<u>152,658</u>	<u>812,081</u>
Total Salaries and Employment Expenses	3,736,075	167,153	3,903,228	638,287	4,541,515
Professional Services	418,358	96,826	515,184	119,665	634,849
Periodical Subscriptions	34,209	-	34,209	-	34,209
Audiovisual/CD Rom Materials	110,523	-	110,523	-	110,523
Electronic Information	1,168,522	-	1,168,522	-	1,168,522
Toys	5,345	-	5,345	-	5,345
Supplies	251,627	-	251,627	14,158	265,785
Printing and Advertising	3,423	-	3,423	3,989	7,412
Telecommunications and Telephone	-	69,578	69,578	-	69,578
Utilities	243,677	-	243,677	-	243,677
Building Repairs and Maintenance	239,708	-	239,708	-	239,708
Postage	5,471	12	5,483	3,920	9,403
Travel and Conference	4,162	547	4,709	3,241	7,950
Staff Development	34,622	-	34,622	10,345	44,967
Lease Expense	-	30,228	30,228	-	30,228
Computer Equipment	-	89,145	89,145	-	89,145
Insurance	19,393	1,200	20,593	4,823	25,416
Technology and Network	260,470	71,507	331,977	4,364	336,341
Equipment Maintenance and Rent	150,498	-	150,498	-	150,498
Vehicle Expense	37,490	141	37,631	-	37,631
Depreciation	1,249,028	-	1,249,028	-	1,249,028
Bank Fees	13,095	-	13,095	31,691	44,786
Dues and Membership	78,723	-	78,723	11,297	90,020
Facility Usage	-	-	-	441,000	441,000
State Aid to Public Libraries	<u>342,660</u>	<u>-</u>	<u>342,660</u>	<u>-</u>	<u>342,660</u>
Total Expenses	<u>\$ 8,407,079</u>	<u>\$ 526,337</u>	<u>\$ 8,933,416</u>	<u>\$ 1,286,780</u>	<u>\$ 10,220,196</u>

BUCKS COUNTY FREE LIBRARY

SCHEDULE 2
SCHEDULE OF REVENUES AND EXPENSES
BY INDIVIDUAL LOCATION

December 31, 2022

	<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>
Income							
County Funding	\$ 6,003,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid	2,444,553	-	569,947	-	-	-	-
Donations	668,288	-	-	-	-	-	-
Copy/Printer Income	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-
Lost Card	-	-	-	-	-	-	-
Lost and Damaged Material	-	-	-	-	-	-	-
Miscellaneous Grants	224,973	-	7,475	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-
Passport Income	-	-	-	-	-	-	-
Vending Machine Income	-	-	-	-	-	-	-
Online Sales Income	-	-	-	-	-	-	-
Book Sales	-	-	-	-	-	-	-
Realized/Unrealized Gain (Loss)	-	-	-	-	-	-	-
Interest Income	218,398	-	-	-	-	-	-
Gain (Loss) on Disposal of Asset	-	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	-	-	-
Total Income	<u>9,559,212</u>	<u>-</u>	<u>577,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses							
Salaries and Wages	485,629	-	139,337	136,870	228,746	144,678	322,442
Payroll Taxes and Benefits	152,658	-	29,993	30,283	60,427	30,402	109,194
Professional Services	119,665	-	4,450	96,826	44,377	-	58,159
Periodical Subscriptions	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	-	-	-	-	-
Electronic Information	-	-	11,020	-	-	18,268	-
Toys	-	-	-	-	-	-	-
Supplies	14,158	-	28,507	-	30,847	669	-
Printing and Advertising	3,989	-	-	-	1,894	-	1,529
Telecommunications and Telephone	-	-	-	69,578	-	-	-
Utilities	-	-	-	-	-	-	-
Building Repairs and Maintenance	-	-	-	-	-	-	208,432
Postage	3,920	-	-	12	-	-	-
Travel and Conference	3,241	-	1,670	547	53	-	1,305
Staff Development	10,345	-	25,240	-	7,500	-	49
Lease Expense	-	-	-	30,228	-	-	-
Computer Equipment	-	-	-	89,145	-	-	-
Insurance	4,823	-	-	1,200	1,200	-	18,193
Technology and Network	4,364	-	60	71,507	-	260,040	-
Equipment Maintenance and Rent	-	-	-	-	-	-	141,826
Vehicle Expense	-	-	-	141	271	-	37,219
Depreciation	-	-	-	-	-	-	-
Kiosk Fees	40	-	-	-	-	-	-
Dues and Membership	11,297	-	299	-	-	77,493	-
Facility Usage	441,000	-	-	-	-	-	-
State Aid to Public Libraries	342,660	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-	-	-
Total Expenses	<u>\$ 1,597,789</u>	<u>\$ -</u>	<u>\$ 240,576</u>	<u>\$ 526,337</u>	<u>\$ 375,315</u>	<u>\$ 531,550</u>	<u>\$ 898,348</u>

<u>Library Center</u>	<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
-	-	-	-	-	-	-	-	-	3,014,500
18,746	10,365	1,017	5,812	3,218	1,313	656	-	-	709,415
9,726	16,703	7,293	3,524	3,517	6,228	10,027	-	-	57,018
103,231	8,807	10,616	3,952	7,220	12,746	6,668	-	-	153,240
-	-	-	-	-	-	-	-	-	-
1,317	273	527	189	733	993	556	-	-	4,588
-	-	-	-	-	-	-	-	-	232,448
445	5	4	290	-	345	-	-	-	1,089
-	-	-	-	-	-	58,950	-	-	58,950
1,399	-	-	-	-	-	-	-	-	1,399
2,434	-	-	-	-	-	-	-	-	2,434
23	1,666	2,770	300	269	2,654	968	-	-	8,650
-	-	-	-	-	-	-	(3,124,821)	-	(3,124,821)
-	-	-	-	-	-	-	25,668	-	244,066
-	-	-	-	-	-	-	5,904	-	5,904
70	-	-	-	-	-	194	-	-	264
<u>137,391</u>	<u>37,819</u>	<u>22,227</u>	<u>14,067</u>	<u>14,957</u>	<u>24,279</u>	<u>78,019</u>	<u>(3,093,249)</u>	<u>-</u>	<u>7,372,144</u>
343,481	301,097	316,890	206,092	185,115	316,871	253,059	-	349,127	3,729,434
34,532	52,037	69,606	24,200	40,849	55,441	51,365	-	71,094	812,081
61,971	35,343	36,670	44,932	15,090	33,310	34,056	50,000	-	634,849
-	-	-	-	-	-	-	-	34,209	34,209
-	-	-	-	-	-	-	-	110,523	110,523
-	-	-	-	-	-	-	-	1,139,234	1,168,522
-	-	-	-	-	-	-	-	5,345	5,345
4,880	2,807	3,437	2,154	1,813	3,809	5,268	-	167,436	265,785
-	-	-	-	-	-	-	-	-	7,412
-	-	-	-	-	-	-	-	-	69,578
65,760	23,534	59,252	25,965	34,622	12,458	22,086	-	-	243,677
3,668	2,100	2,432	1,780	1,170	1,988	1,896	16,242	-	239,708
-	-	-	-	-	-	5,471	-	-	9,403
-	-	-	-	71	47	44	-	972	7,950
-	-	-	-	-	-	-	-	1,833	44,967
-	-	-	-	-	-	-	-	-	30,228
-	-	-	-	-	-	-	-	-	89,145
-	-	-	-	-	-	-	-	-	25,416
-	-	-	-	-	-	370	-	-	336,341
1,513	-	-	5,668	-	1,491	-	-	-	150,498
-	-	-	-	-	-	-	-	-	37,631
-	-	-	-	-	-	-	1,249,028	-	1,249,028
10,678	232	261	151	129	196	1,448	31,651	-	44,786
-	-	-	-	-	-	35	-	896	90,020
-	-	-	-	-	-	-	-	-	441,000
-	-	-	-	-	-	-	-	-	342,660
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 526,483</u>	<u>\$ 417,150</u>	<u>\$ 488,548</u>	<u>\$ 310,942</u>	<u>\$ 278,859</u>	<u>\$ 425,611</u>	<u>\$ 375,098</u>	<u>\$ 1,346,921</u>	<u>\$ 1,880,669</u>	<u>\$ 10,220,196</u>