

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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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.

Bee, Bergvall & Co.

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

Warrington, PA
February 11, 2019

BUCKS COUNTY FREE LIBRARY
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2018

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, 2018 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 \$1,241,847 in 2018 due to a sharp downturn in the 4th quarter stock market.
- Operating Revenue during this period increased by \$115,556 from the prior year. This is mainly due to an increase in donations and a few bequests. Total Operating and Administrative expenses increased \$606,492 in an effort to replace worn furniture, mobilize our collection and bring more popular items to our patrons. It should be noted that 2018 expenses included \$1,388,032 of depreciation.
- The Library System’s primary source of revenue is from Bucks County, the total of which represents approximately 60% of the Library System’s total operating revenue for 2018.

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, 2018

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, 2018 and 2017.

Statements of Net Position

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 839,783	\$ 970,817
Investments	11,866,698	12,359,673
Capital Assets, net	<u>3,809,199</u>	<u>4,337,365</u>
Total Assets	<u>\$ 16,515,680</u>	<u>\$ 17,667,855</u>
Liabilities		
Current Liabilities	\$ 375,288	\$ 286,583
Compensated Absences	<u>250,927</u>	<u>249,960</u>
Total Liabilities	<u>626,215</u>	<u>536,543</u>
Net Position		
Net Investment in Capital Assets	3,809,199	4,337,365
Restricted Assets	3,058,562	3,474,537
Unrestricted		
Unrestricted: Board Designated	8,808,136	8,885,136
Unrestricted: Undesignated	<u>213,568</u>	<u>434,274</u>
Total Net Position	<u>15,889,465</u>	<u>17,131,312</u>
Total Liabilities and Net Position	<u>\$ 16,515,680</u>	<u>\$ 17,667,855</u>

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Condensed Comparative Financial Statements (Continued)

The following chart shows the revenues and expenses of the governmental activities for 2018 and 2017.

Statements of Activities

	<u>2018</u>	<u>2017</u>
Operating Revenues		
State and Local Funding	\$ 8,687,306	\$ 8,687,306
Fines and Lost Cards	215,382	234,265
Copy/Printer Income	65,237	63,109
Grants	26,584	31,062
Contributions	888,198	736,813
Miscellaneous	<u>250,494</u>	<u>265,090</u>
Total Operating Revenues	<u>10,133,201</u>	<u>10,017,645</u>
 Operating and Administrative Expenses	 <u>10,638,140</u>	 <u>10,031,648</u>
 Operating Income	 (504,939)	 (14,003)
 Nonoperating Revenue		
Interest Income	388,964	356,573
Investment Realized & Unrealized Gains/(Losses)	(1,098,513)	1,394,657
Gain on Sale of Asset	<u>(27,359)</u>	<u>-</u>
Total Nonoperating Revenue	<u>(736,908)</u>	<u>1,751,230</u>
 Increase in Net Position	 (1,241,847)	 1,737,227
 Net Position-Beginning of Year	 <u>17,131,312</u>	 <u>15,394,085</u>
Net Position-End of Year	<u>\$ 15,889,465</u>	<u>\$ 17,131,312</u>

Analysis of Overall Financial Position: Total operating revenues in 2018 were \$10,133,201, an increase over 2017. Bucks County General Fund allocation to Bucks County Free Library revenue was \$6,003,000 in 2018, the same as 2017. State Aid to Local Libraries and County Coordination was \$2,239,025, State Aid for District Libraries was \$445,281 in 2018, no change from 2018. Together, County and State aid account for 86% of the Library's operating revenues.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

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 2018, but appear in the Schedule of Functional Expenses as expenditures.

Capital Assets and Long-Term Debt: Capital improvements additions of \$887,223 included the completion of the Backyard Garden at the Doylestown Branch and the completion of the Radio Frequency Identification project (RFID).

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.

BUCKS COUNTY FREE LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Condensed Comparative Financial Statements (Continued)

Currently Known Facts, Decisions, or Conditions: There were no other known facts, decisions or conditions 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, 2018

ASSETS

	<u>2018</u>
Current Assets	
Cash and Cash Equivalents	\$ 775,752
Accounts Receivable	64,031
Total Current Assets	<u>839,783</u>
Investments	
Unrestricted	8,808,136
Restricted	82,372
Beneficial Interest in Perpetual Trust	2,976,190
Total Investments	<u>11,866,698</u>
Capital Assets	12,380,567
Less: Accumulated Depreciation	<u>(8,571,368)</u>
Net Capital Assets	<u>3,809,199</u>
 TOTAL ASSETS	 <u>\$ 16,515,680</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 281,310
Accrued Salaries and Payroll Taxes	93,978
Total Current Liabilities	<u>375,288</u>
Compensated Absences	<u>250,927</u>
Total Liabilities	<u>626,215</u>
Net Position	
Net Investment in Capital Assets	3,809,199
Restricted	3,058,562
Unrestricted	
Unrestricted: Board Designated	8,808,136
Unrestricted: Undesignated	213,568
Total Net Position	<u>15,889,465</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 16,515,680</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, 2018

	<u>2018</u>
Operating Revenues	
State Aid	\$ 2,684,306
Local	
County of Bucks Aid	6,003,000
Fines and Lost Cards	215,382
Copy/Printer Income	65,237
Grants	26,584
Contributions	888,198
Miscellaneous	<u>250,494</u>
Total Operating Revenues	<u>10,133,201</u>
Operating Expenses	
Program Services	
Library	8,185,115
Pennsylvania Aid	313,849
Technical	672,622
Support Services	
Management and General	<u>1,466,554</u>
Total Operating Expenses	<u>10,638,140</u>
Operating Income	<u>(504,939)</u>
Nonoperating Revenue	
Interest Income	388,964
Investment Realized & Unrealized Gains/(Losses)	(1,098,513)
Gain/(Loss) on Sale of Asset	<u>(27,359)</u>
Total Nonoperating Revenue	<u>(736,908)</u>
Change in Net Position	(1,241,847)
Net Position - Beginning of Year	<u>17,131,312</u>
Net Position - End of Year	<u>\$ 15,889,465</u>

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 280,619
Receipts from intergovernmental support	8,713,890
Miscellaneous cash income	250,494
Contributions	888,198
Payments to suppliers	(5,022,935)
Payments to employees	<u>(4,117,385)</u>
Net cash provided by operating activities	<u>992,881</u>
Cash flows from (used in) capital and related financing activities:	
Purchase of property and equipment	<u>(887,223)</u>
Net cash from (used in) capital and related financing activities	<u>(887,225)</u>
Cash flows from investing activities:	
Purchase of investments	(2,947,946)
Sale and maturities of investments	2,342,413
Interest and other income received	<u>388,959</u>
Net cash provided by investing activities	<u>(216,574)</u>
Net increase (decrease) in cash and cash equivalents	(110,918)
Cash and cash equivalents, beginning of year	<u>886,670</u>
Cash and cash equivalents, end of year	<u>\$ 775,752</u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities

Operating Income	\$ (504,939)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,388,032
(Increase) decrease in:	
Accounts receivable	20,116
Increase (decrease) in:	
Accounts payable and accrued expenses	74,633
Accrued salaries and payroll taxes	14,072
Compensated absences	<u>967</u>
Total adjustments	<u>1,497,820</u>
Net cash provided by operating activities	<u>\$ 992,881</u>

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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, 2018

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 2018, the contribution was \$6,003,000 from Library Tax Revenue and \$420,000 from a donation of in-kind rent. The contribution represents approximately 64% 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, 2018

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, 2018, 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, 2018

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, 2018 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, 2018, the liability for accrued compensated absences is \$250,927.

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

Subsequent Events: The Library has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 \$124,756 for the year ended December 31, 2018.

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, 2018 that were all considered Level 1:

<u>Investment Type</u>	<u>Fair Value</u>
Short Term Reserves	\$ 141,901
Common Stocks	2,759,497
Mutual Funds: Domestic Equity	3,139,162
Mutual Funds: Int'l Equity	2,021,205
Mutual Funds: Int'l Bond	1,144,398
Mutual Funds: Fixed Income	<u>2,660,535</u>
Total	<u>\$ 11,866,698</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 \$775,752, including \$44,000 EITC funds, and the bank balance was \$955,080. 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, 2018 the amount in excess of this insurance was \$705,080.

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.

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.

Concentration of Credit Risk: The Library does not have a deposit or investment policy for concentration of credit risk. At December 31, 2018, there were three investments that exceeded greater than 5% in any one single issuer that is considered a concentration of credit risk. The three investments consisted of Total International Stock Index Admiral, Total Bond Market Index Admin, and Total Stock Market Index Admin.

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, 2018

NOTE 4. Capital Assets

Capital Assets consist of the following at December 31:

	<u>12/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2018</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 4,316,096	\$ 219,536	\$ (38,936)	\$ 4,496,696
Furniture and Fixtures	1,574,052	82,222	(123,046)	1,533,228
Vehicles	147,700	-	-	147,700
Library Book Collections	<u>6,260,139</u>	<u>585,465</u>	<u>(642,661)</u>	<u>6,202,943</u>
Total Capital Assets	12,297,987	887,223	(804,643)	12,380,567
Accumulated Depreciation	<u>(7,960,622)</u>	<u>(1,388,032)</u>	<u>777,286</u>	<u>(8,571,368)</u>
Net Capital Assets	<u>\$ 4,337,365</u>	<u>\$ (500,809)</u>	<u>\$ (27,357)</u>	<u>\$ 3,809,199</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 expires October 2019. Lease expense under all operating leases, including charges for additional usage, for the year ended December 31, 2018 was \$38,387.

The following is a schedule of future minimum lease payments required under the operating leases as of December 31, 2018:

For the Year	Amount
<u>Ending</u>	<u>Due</u>
2018	\$ 31,416
2019	<u>26,180</u>
Total	<u>\$ 57,596</u>

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, 2018, 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, 2018

NOTE 7. Restricted Assets

The Library has investments restricted for use by the donor. At December 31, 2018 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at</u> <u>12/31/18</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.	\$ 2,976,190
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.	38,372
EITC Funds	Designated by the donor as part of the Educational Improvement Tax Credit (EITC) program designated for education improvement.	<u>44,000</u>
	Total	<u>\$ 3,058,562</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 \$2,976,190 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, 2018, the Library received income from the irrevocable trust of \$153,991 which has been included in unrestricted income in accordance with the specifics of the trust in the statement of activities. Also, a decrease in the fair value of the beneficial interest of \$413,216 has been recorded as restricted activity for the year ended December 31, 2018 in accordance with the specifics of the trust in the statement of activities.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE 8. Board Designated Net Position

The Board has designated the following funds at December 31, 2018 for the purpose restrictions as follows:

<u>Fund</u>	<u>Board Designation</u>	<u>Balance at 12/31/18</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.	\$ 2,198,385
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.	2,500,000
Capital Reserve	These funds will be used to cover future capital needs over and above any government allocations or operating budget limitations.	<u>4,109,751</u>
	Total	<u>\$ 8,808,136</u>

SUPPLEMENTAL INFORMATION

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1
SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2018

	<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	\$ 3,323,731	\$ 201,510	\$ 3,525,241	\$ 607,183	\$ 4,132,424
Payroll Taxes and Benefits	<u>738,751</u>	<u>39,722</u>	<u>778,473</u>	<u>189,411</u>	<u>967,884</u>
Total Salaries and Employment Expenses	4,062,482	241,232	4,303,714	796,594	5,100,308
Professional Services	478,046	-	478,046	89,883	567,929
Periodical Subscriptions	36,759	-	36,759	-	36,759
Audiovisual/CD Rom Materials	168,358	-	168,358	-	168,358
Electronic Information	709,293	-	709,293	-	709,293
Toys	13,042	-	13,042	-	13,042
Supplies	263,227	-	263,227	14,028	277,255
Printing and Advertising	6,629	428	7,057	18,606	25,663
Telecommunications and Telephone	-	77,443	77,443	-	77,443
Utilities	262,825	-	262,825	-	262,825
Building Repairs and Maintenance	106,447	-	106,447	-	106,447
Postage	15,029	-	15,029	12,510	27,539
Travel and Conference	17,883	4,528	22,411	23,535	45,946
Staff Development	27,990	2,238	30,228	28,335	58,563
Lease Expense	-	38,387	38,387	-	38,387
Computer Equipment	725	83,876	84,601	-	84,601
Insurance	14,865	700	15,565	4,287	19,852
Technology and Network	11,645	223,790	235,435	7,199	242,634
Equipment Maintenance and Rent	474,076	-	474,076	-	474,076
Vehicle Expense	20,466	-	20,466	-	20,466
Depreciation	1,388,032	-	1,388,032	-	1,388,032
Bank Fees	29,748	-	29,748	37,537	67,285
Dues and Membership	77,548	-	77,548	14,040	91,588
Facility Usage	-	-	-	420,000	420,000
State Aid to Public Libraries	<u>313,849</u>	<u>-</u>	<u>313,849</u>	<u>-</u>	<u>313,849</u>
Total Expenses	<u>\$ 8,498,964</u>	<u>\$ 672,622</u>	<u>\$ 9,171,586</u>	<u>\$ 1,466,554</u>	<u>\$ 10,638,140</u>

BUCKS COUNTY FREE LIBRARY

SCHEDULE 2
SCHEDULE OF REVENUES AND EXPENSES
BY INDIVIDUAL LOCATION

December 31, 2018

	<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	2,239,025	-	445,281	-	-	-	-	-
Donations	568,107	-	700	-	-	-	-	15,574
Copy/Printer Income	-	-	-	-	-	-	-	8,882
Fines	-	-	-	-	-	-	-	124,472
Lost Card	-	-	-	-	-	-	-	275
Lost and Damaged Material	-	-	-	-	-	191	-	6,789
Miscellaneous Grants	1,500	-	25,084	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	223
Passport Income	-	-	-	-	-	-	-	-
Vending Machine Income	-	-	-	-	-	-	-	4,365
Book Sales	-	-	-	-	-	-	-	3,142
Realized/Unrealized Gain (Loss)	-	-	-	-	-	-	-	-
Interest Income	155,857	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Asset	-	-	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	-	-	-	1,773
Total Income	8,967,489	-	471,065	-	-	191	-	165,495
Expenses								
Salaries and Wages	607,183	119,593	173,000	201,510	148,250	109,358	277,427	401,930
Payroll Taxes and Benefits	189,411	19,667	44,750	39,722	20,375	20,415	71,120	100,235
Professional Services	89,883	-	18,762	-	10,904	2,800	83,603	69,288
Periodical Subscriptions	-	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	-	-	-	-	-	-
Electronic Information	-	-	-	-	-	-	-	-
Toys	-	-	-	-	-	-	-	-
Supplies	14,028	11,661	18,285	-	18,947	791	-	13,982
Printing and Advertising	18,606	618	-	428	5,238	-	763	-
Telecommunications and Telephone	-	-	-	77,443	-	-	-	-
Utilities	-	-	-	-	-	-	-	71,612
Building Repairs and Maintenance	-	-	-	-	-	-	47,167	16,477
Postage	12,510	-	7	-	-	-	-	-
Travel and Conference	23,535	769	4,039	4,528	2,417	1,565	1,476	475
Staff Development	28,335	629	2,698	2,238	1,405	960	1,857	14,316
Lease Expense	-	-	-	38,387	-	-	-	-
Computer Equipment	-	-	-	83,876	-	-	230	-
Insurance	4,287	-	-	700	-	-	14,865	-
Technology and Network	7,199	-	11,330	223,790	-	-	-	-
Equipment Maintenance and Rent	-	-	-	-	-	-	141,519	3,061
Vehicle Expense	-	-	-	-	-	-	20,466	-
Depreciation	-	-	-	-	-	-	-	-
Bank Fees	71	-	-	-	-	4,332	-	8,871
Dues and Membership	14,040	-	1,425	-	98	11,057	-	315
Facility Usage	420,000	-	-	-	-	-	-	-
State Aid to Public Libraries	313,849	-	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-	-	-	-
Total Expenses	1,742,937	152,937	274,296	672,622	207,634	151,278	660,493	700,562
Net Income Over (Under) Expenses	\$ 7,224,552	\$ (152,937)	\$ 196,769	\$ (672,622)	\$ (207,634)	\$ (151,087)	\$ (660,493)	\$ (535,067)

<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>	<u>Prior Year</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,003,000	\$ 6,003,000
-	-	-	-	-	-	-	-	2,684,306	2,684,306
21,736	4,792	2,096	1,155	17,175	6,135	250,728	-	888,198	736,813
19,731	8,636	4,759	4,385	7,910	10,934	-	-	65,237	63,109
17,040	18,103	8,505	12,159	19,246	14,880	-	-	214,405	228,299
39	27	129	99	375	33	-	-	977	5,966
1,711	2,313	448	944	1,804	1,108	-	-	15,308	18,911
-	-	-	-	-	-	-	-	26,584	31,062
7	16	35	-	110	138	-	-	529	2,327
-	-	-	-	-	211,240	-	-	211,240	200,085
-	-	-	-	-	-	-	-	4,365	4,307
1,342	1,066	19	3,735	2,388	2,181	-	-	13,873	35,542
-	-	-	-	-	-	(1,098,513)	-	(1,098,513)	1,394,657
-	-	-	-	-	-	233,102	-	388,959	356,573
-	-	-	-	-	-	(27,359)	-	(27,359)	-
331	721	330	-	1,593	431	-	-	5,179	3,918
<u>61,937</u>	<u>35,674</u>	<u>16,321</u>	<u>22,477</u>	<u>50,601</u>	<u>247,080</u>	<u>(642,042)</u>	<u>-</u>	<u>9,396,288</u>	<u>11,768,875</u>
272,786	303,632	261,618	207,931	321,415	327,327	-	399,464	4,132,424	4,085,998
57,265	71,698	60,901	45,552	58,730	59,896	-	108,147	967,884	975,926
37,672	48,469	43,739	23,653	35,608	35,540	41,684	26,324	567,929	479,539
-	-	-	-	-	-	-	36,759	36,759	29,858
-	-	-	-	-	-	-	168,358	168,358	222,170
-	-	-	-	-	-	-	709,293	709,293	587,347
-	-	-	-	-	-	-	13,042	13,042	18,582
9,762	15,969	10,538	8,902	11,879	21,551	-	120,960	277,255	193,935
-	10	-	-	-	-	-	-	25,663	31,518
-	-	-	-	-	-	-	-	77,443	101,889
24,290	60,785	29,018	34,926	22,026	20,168	-	-	262,825	277,536
9,034	10,329	5,791	3,744	6,916	6,989	-	-	106,447	123,366
-	-	-	-	7	11,057	-	3,958	27,539	32,622
253	135	1,128	509	356	532	-	4,229	45,946	36,413
475	175	640	-	255	405	-	4,175	58,563	35,472
-	-	-	-	-	-	-	-	38,387	41,131
-	-	-	-	495	-	-	-	84,601	100,656
-	-	-	-	-	-	-	-	19,852	17,974
-	-	-	-	-	315	-	-	242,634	248,887
-	-	-	-	17,995	-	311,501	-	474,076	113,240
-	-	-	-	-	-	-	-	20,466	20,320
-	-	-	-	-	-	1,388,032	-	1,388,032	1,372,088
2,375	2,367	2,051	2,076	2,363	5,313	37,466	-	67,285	57,886
-	-	-	-	-	168	-	64,485	91,588	93,446
-	-	-	-	-	-	-	-	420,000	420,000
-	-	-	-	-	-	-	-	313,849	313,849
-	-	-	-	-	-	-	-	-	-
<u>413,912</u>	<u>513,569</u>	<u>415,424</u>	<u>327,293</u>	<u>478,045</u>	<u>489,261</u>	<u>1,778,683</u>	<u>1,659,194</u>	<u>10,638,140</u>	<u>10,031,648</u>
<u>\$ (351,975)</u>	<u>\$ (477,895)</u>	<u>\$ (399,103)</u>	<u>\$ (304,816)</u>	<u>\$ (427,444)</u>	<u>\$ (242,181)</u>	<u>\$ (2,420,725)</u>	<u>\$ (1,659,194)</u>	<u>\$ (1,241,852)</u>	<u>\$ 1,737,227</u>