

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

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2019



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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, 2019 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, 2019, 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*

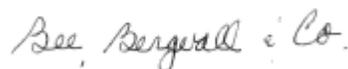
### *Required Supplementary Information*

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 and Company, P.C.  
Certified Public Accountants

Warrington, PA  
April 7, 2020

BUCKS COUNTY FREE LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2019

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, 2019 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 \$1,925,266 in 2019 due to a strong stock market.
- Operating Revenue during this period decreased by \$187,676 from the prior year. This is mainly due to a decrease in bequests. Total Operating and Administrative expenses had a modest increase of \$39,569. It should be noted that 2019 expenses included \$1,378,199 of depreciation.
- The Library System’s primary source of revenue is from the County of Bucks, the total of which represents approximately 60% of the Library System’s total operating revenue for 2019.

**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, 2019

**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, 2019 and 2018.

**Statements of Net Position**

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 701,589	\$ 839,783
Investments	14,044,798	11,866,698
Capital Assets, net	<u>3,598,064</u>	<u>3,809,199</u>
Total Assets	<u>\$ 18,344,451</u>	<u>\$ 16,515,680</u>
Liabilities		
Current Liabilities	\$ 274,916	\$ 375,288
Compensated Absences	<u>254,804</u>	<u>250,927</u>
Total Liabilities	<u>529,720</u>	<u>626,215</u>
Net Position		
Net Investment in Capital Assets	3,598,064	3,809,199
Restricted Assets	3,919,366	3,058,562
Unrestricted		
Unrestricted: Board Designated	10,125,432	8,808,136
Unrestricted: Undesignated	<u>171,869</u>	<u>213,568</u>
Total Net Position	<u>17,814,731</u>	<u>15,889,465</u>
Total Liabilities and Net Position	<u>\$ 18,344,451</u>	<u>\$ 16,515,680</u>

BUCKS COUNTY FREE LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2019

**Condensed Comparative Financial Statements (Continued)**

The following chart shows the revenues and expenses of the governmental activities for December 31, 2019 and 2018.

**Statements of Activities**

	<u>2019</u>	<u>2018</u>
Operating Revenues		
State and Local Funding	\$ 8,728,180	\$ 8,687,306
Fines and Lost Cards	230,694	215,382
Copy/Printer Income	71,272	65,237
Grants	27,523	26,584
Contributions	644,744	888,198
Miscellaneous	<u>243,112</u>	<u>250,494</u>
Total Operating Revenues	<u>9,945,525</u>	<u>10,133,201</u>
 Operating and Administrative Expenses	 <u>10,677,709</u>	 <u>10,638,140</u>
 Operating Income	 (732,184)	 (504,939)
 Nonoperating Revenue		
Interest Income	428,230	388,964
Investment Realized & Unrealized Gains/(Losses)	2,229,220	(1,098,513)
Gain on Sale of Asset	<u>-</u>	<u>(27,359)</u>
Total Nonoperating Revenue	<u>2,657,450</u>	<u>(736,908)</u>
 Increase in Net Position	 1,925,266	 (1,241,847)
 Net Position-Beginning of Year	 <u>15,889,465</u>	 <u>17,131,312</u>
Net Position-End of Year	<u>\$ 17,814,731</u>	<u>\$ 15,889,465</u>

Analysis of Overall Financial Position: Total operating revenues in 2019 were \$9,945,525, a decrease over 2018. Bucks County General Fund allocation to Bucks County Free Library revenue was \$6,003,000 in 2019, the same as 2018. State Aid to Local Libraries and County Coordination was \$2,239,025, State Aid for District Libraries was \$486,155 in 2019, an increase of \$40,874 from 2019. 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, 2019

**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 \$381,977 included the completion of the Staff and Patron Restrooms and the beginning of the Elevator Replacement at the Doylestown Branch.

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, 2019

**Condensed Comparative Financial Statements (Continued)**

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.
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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, 2019

**ASSETS**

	<u>2019</u>
Current Assets	
Cash and Cash Equivalents	\$ 628,978
Accounts Receivable	<u>72,611</u>
Total Current Assets	<u>701,589</u>
Investments	
Unrestricted	10,125,432
Restricted	128,202
Beneficial Interest in Perpetual Trust	<u>3,791,164</u>
Total Investments	<u>14,044,798</u>
Capital Assets	13,529,502
Less: Accumulated Depreciation	<u>(9,931,438)</u>
Net Capital Assets	<u>3,598,064</u>
TOTAL ASSETS	<u>\$ 18,344,451</u>

**LIABILITIES AND NET POSITION**

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 167,214
Accrued Salaries and Payroll Taxes	<u>107,702</u>
Total Current Liabilities	<u>274,916</u>
Compensated Absences	<u>254,804</u>
Total Liabilities	<u>529,720</u>
Net Position	
Net Investment in Capital Assets	3,598,064
Restricted	3,919,366
Unrestricted	
Unrestricted: Board Designated	10,125,432
Unrestricted: Undesignated	<u>171,869</u>
Total Net Position	<u>17,814,731</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,344,451</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, 2019

	<u>2019</u>
Operating Revenues	
State Aid	\$ 2,725,180
Local	
County of Bucks Aid	6,003,000
Fines and Lost Cards	230,694
Copy/Printer Income	71,272
Grants	27,523
Contributions	644,744
Miscellaneous	<u>243,112</u>
Total Operating Revenues	<u>9,945,525</u>
Operating Expenses	
Program Services	
Library	8,363,723
Pennsylvania Aid	313,849
Technical	582,013
Support Services	
Management and General	<u>1,418,124</u>
Total Operating Expenses	<u>10,677,709</u>
Operating Income	<u>(732,184)</u>
Nonoperating Revenue	
Interest Income	428,230
Investment Realized & Unrealized Gains/(Losses)	<u>2,229,220</u>
Total Nonoperating Revenue	<u>2,657,450</u>
Change in Net Position	1,925,266
Net Position - Beginning of Year	<u>15,889,465</u>
Net Position - End of Year	<u>\$ 17,814,731</u>

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

BUCKS COUNTY FREE LIBRARY

STATEMENT OF CASH FLOWS

December 31, 2019

	<u>2019</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 301,966
Receipts from intergovernmental support	8,755,703
Miscellaneous cash income	243,112
Contributions	644,744
Payments to suppliers	(5,205,648)
Payments to employees	<u>(4,198,937)</u>
Net cash provided by operating activities	<u>540,940</u>
 Cash flows from (used in) capital and related financing activities:	
Purchase of property and equipment	<u>(1,167,062)</u>
Net cash from (used in) capital and related financing activities	<u>(1,167,062)</u>
 Cash flows from investing activities:	
Purchase of investments	(450,223)
Sale and maturities of investments	390,427
Interest and other income received	<u>428,226</u>
Net cash provided by investing activities	<u>368,430</u>
 Net increase (decrease) in cash and cash equivalents	(257,692)
Cash and cash equivalents, beginning of year	<u>886,670</u>
Cash and cash equivalents, end of year	<u><u>\$ 628,978</u></u>

Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities

Operating Income	\$ (732,184)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,378,199
(Increase) decrease in:	
Accounts receivable	(8,580)
Increase (decrease) in:	
Accounts payable and accrued expenses	(114,096)
Accrued salaries and payroll taxes	13,724
Compensated absences	<u>3,877</u>
Total adjustments	<u>1,273,124</u>
Net cash provided by operating activities	<u><u>\$ 540,940</u></u>

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

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**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, 2019

**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 2019, the contribution was \$6,003,000 from Library Tax Revenue and \$420,000 from a donation of in-kind rent. The contribution represents approximately 65% 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, 2019

**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, 2019 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, 2019

**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, 2019 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, 2019 the liability for accrued compensated absences is \$ 254,804.

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. As a result of the COVID- 19 coronavirus, economic uncertainties have arisen which are likely to negatively impact our operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**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 \$137,861 for the year ended December 31, 2019.

**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, 2019 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	\$ 97,266	\$ 97,266	\$ -
Common Stocks	3,596,223	3,596,223	-
Mutual Funds: Domestic Equity	3,991,586	3,991,586	-
Mutual Funds: Int'l Equity	2,480,856	2,480,856	-
Mutual Funds: Int'l Bond	1,151,624	1,151,624	-
Mutual Funds: Fixed Income	<u>2,727,243</u>	<u>2,727,243</u>	-
Total	<u>\$ 14,044,798</u>	<u>\$ 14,044,798</u>	<u>\$ -</u>

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**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 \$628,978, \$51,400 in EITC funds included in restricted investments, and the bank balance was \$919,676. 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, 2019 the amount in excess of this insurance was \$669,676.

*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.

*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 72% of the Library's total investments. The remaining 28% of the Library's total investments are in trust.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**NOTE 4. Capital Assets**

Capital Assets consist of the following at December 31:

	<u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>
Capital Assets Being Depreciated:				
Building Improvements	\$ 4,496,696	\$ 381,977	\$ -	\$ 4,878,673
Furniture and Fixtures	1,533,228	83,709	(18,128)	1,598,809
Vehicles	147,700	48,629	-	196,329
Library Book Collections	<u>6,202,943</u>	<u>652,747</u>	<u>-</u>	<u>6,855,690</u>
Total Capital Assets	12,380,567	1,167,062	(18,128)	13,529,501
Accumulated Depreciation	<u>(8,571,368)</u>	<u>(1,378,199)</u>	<u>18,128</u>	<u>(9,931,439)</u>
Net Capital Assets	<u>\$ 3,809,199</u>	<u>\$ (211,137)</u>	<u>\$ -</u>	<u>\$ 3,598,062</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, 2019 was \$40,539.

**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, 2019 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, 2019

**NOTE 7. Restricted Assets**

The Library has investments restricted for use by the donor. At December 31, 2019 the purpose restrictions by donors were as follows:

<u>Fund</u>	<u>Restriction</u>	<u>Balance at</u> <u>12/31/19</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.	\$ 3,791,164
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.	44,746
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.	32,056
EITC Funds	Designated by the donor as part of the Educational Improvement Tax Credit (EITC) program designated for education improvement.	51,400
	Total	<u>\$ 3,919,366</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 \$ 3,791,164 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, 2019, the Library received income from the irrevocable trust of \$166,156 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 \$955,055 has been recorded as restricted activity for the year ended December 31, 2019 in accordance with the specifics of the trust in the statement of activities.

BUCKS COUNTY FREE LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

**NOTE 8. Board Designated Net Position**

The Board has designated the following funds at December 31, 2019 for the purpose restrictions as follows:

<u>Fund</u>	<u>Board Designation</u>	<u>Balance at</u> <u>12/31/19</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.	\$ 2,637,936
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>4,987,496</u>
	Total	<u>\$ 10,125,432</u>

**SUPPLEMENTAL INFORMATION**

BUCKS COUNTY FREE LIBRARY

SCHEDULE 1  
SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2019

	<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	\$ 3,378,658	\$ 243,658	\$ 3,622,316	\$ 594,222	\$ 4,216,538
Payroll Taxes and Benefits	<u>760,419</u>	<u>53,583</u>	<u>814,002</u>	<u>184,950</u>	<u>998,952</u>
Total Salaries and Employment Expenses	4,139,077	297,241	4,436,318	779,172	5,215,490
Professional Services	403,686	8,881	412,567	100,955	513,522
Periodical Subscriptions	34,529	-	34,529	-	34,529
Audiovisual/CD Rom Materials	176,279	-	176,279	-	176,279
Electronic Information	750,762	-	750,762	-	750,762
Toys	12,192	-	12,192	-	12,192
Supplies	342,771	-	342,771	13,667	356,438
Printing and Advertising	6,035	-	6,035	19,558	25,593
Telecommunications and Telephone	-	86,807	86,807	-	86,807
Utilities	245,977	-	245,977	-	245,977
Building Repairs and Maintenance	154,522	-	154,522	-	154,522
Postage	5,689	-	5,689	12,619	18,308
Travel and Conference	27,456	4,943	32,399	6,673	39,072
Staff Development	25,972	8,367	34,339	16,137	50,476
Lease Expense	-	40,539	40,539	-	40,539
Computer Equipment	5,146	83,964	89,110	-	89,110
Insurance	15,162	720	15,882	3,992	19,874
Technology and Network	261,313	50,551	311,864	6,265	318,129
Equipment Maintenance and Rent	263,687	-	263,687	-	263,687
Vehicle Expense	23,220	-	23,220	-	23,220
Depreciation	1,378,199	-	1,378,199	-	1,378,199
Bank Fees	18,029	-	18,029	25,481	43,510
Dues and Membership	74,020	-	74,020	13,605	87,625
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>\$ 8,677,572</u>	<u>\$ 582,013</u>	<u>\$ 9,259,585</u>	<u>\$ 1,418,124</u>	<u>\$ 10,677,709</u>

BUCKS COUNTY FREE LIBRARY

SCHEDULE 2  
SCHEDULE OF REVENUES AND EXPENSES  
BY INDIVIDUAL LOCATION

December 31, 2019

	<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>
<b>Income</b>								
County Funding	\$ 6,003,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Aid	2,239,025	-	486,155	-	-	-	-	-
Donations	604,125	-	-	-	-	-	-	14,407
Copy/Printer Income	-	-	-	-	-	-	-	11,696
Fines	-	-	-	-	-	-	-	152,655
Lost Card	-	-	-	-	-	-	-	9
Lost and Damaged Material	-	-	-	-	-	-	-	5,690
Miscellaneous Grants	1,500	-	26,023	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	451
Passport Income	-	-	-	-	-	-	-	-
Vending Machine Income	-	-	-	-	-	-	-	3,334
Book Sales	-	-	-	-	-	-	-	4,358
Realized/Unrealized Gain (Loss)	-	-	-	-	-	-	-	-
Interest Income	167,889	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Asset	-	-	-	-	-	-	-	-
Meeting Room Income	-	-	-	-	-	-	-	965
<b>Total Income</b>	<b>9,015,539</b>	<b>-</b>	<b>512,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,565</b>
<b>Expenses</b>								
Salaries and Wages	594,222	79,251	170,129	243,658	204,639	158,341	279,282	386,137
Payroll Taxes and Benefits	184,950	18,605	45,638	53,583	34,402	30,269	82,523	89,641
Professional Services	100,955	-	18,150	8,881	43,725	-	61,634	61,086
Periodical Subscriptions	-	-	-	-	-	-	-	-
Audiovisual/CD Rom Materials	-	-	-	-	-	-	-	-
Electronic Information	-	-	-	-	-	-	-	-
Toys	-	-	-	-	-	-	-	-
Supplies	13,667	4,722	18,697	-	55,891	537	-	10,122
Printing and Advertising	19,558	251	37	-	3,042	-	2,648	26
Telecommunications and Telephone	-	-	-	86,807	-	-	-	-
Utilities	-	-	-	-	-	-	-	65,571
Building Repairs and Maintenance	-	-	-	-	-	-	76,316	20,345
Postage	12,619	41	-	-	-	-	-	-
Travel and Conference	6,673	3,001	4,351	4,943	7,288	1,333	4,035	519
Staff Development	16,137	605	1,075	8,367	5,844	1,847	325	5,076
Lease Expense	-	-	-	40,539	-	-	-	-
Computer Equipment	-	5,146	-	83,964	-	-	-	-
Insurance	3,992	751	-	720	-	-	14,411	-
Technology and Network	6,265	100	28,559	50,551	-	232,234	-	-
Equipment Maintenance and Rent	-	-	-	-	-	-	82,500	2,863
Vehicle Expense	-	-	-	-	-	-	23,220	-
Depreciation	-	-	-	-	-	-	-	-
Bank Fees	53	-	-	-	-	-	-	9,859
Dues and Membership	13,605	-	12,873	-	-	295	-	-
Facility Usage	420,000	-	-	-	-	-	-	-
State Aid to Public Libraries	313,849	-	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>1,706,545</b>	<b>112,473</b>	<b>299,509</b>	<b>582,013</b>	<b>354,831</b>	<b>424,856</b>	<b>626,894</b>	<b>651,245</b>
<b>Net Income Over (Under) Expenses</b>	<b>\$ 7,308,994</b>	<b>\$ (112,473)</b>	<b>\$ 212,669</b>	<b>\$ (582,013)</b>	<b>\$ (354,831)</b>	<b>\$ (424,856)</b>	<b>\$ (626,894)</b>	<b>\$ (457,680)</b>

<u>Levittown</u>	<u>James A Michener</u>	<u>Penwood</u>	<u>Samuel Pierce</u>	<u>Yardley Makefield</u>	<u>Bensalem</u>	<u>Capital &amp; Investments</u>	<u>Collection Management</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,003,000
-	-	-	-	-	-	-	-	2,725,180
921	4,139	2,344	1,271	16,459	941	136	-	644,744
18,623	9,285	5,303	5,070	7,910	13,384	-	-	71,272
13,836	16,384	7,249	10,265	17,746	12,524	-	-	230,658
9	6	6	-	-	6	-	-	36
1,459	2,110	511	917	1,653	623	-	-	12,963
-	-	-	-	-	-	-	-	27,523
-	272	35	83	80	6	-	-	927
-	-	-	-	-	203,071	-	-	203,071
-	-	-	-	-	-	-	-	3,334
2,522	1,187	63	4,959	2,272	1,734	-	-	17,094
-	-	-	-	-	-	2,229,220	-	2,229,220
-	-	-	-	-	-	260,338	-	428,226
-	-	-	-	-	-	-	-	-
430	839	325	-	1,356	1,806	-	-	5,723
<u>37,800</u>	<u>34,222</u>	<u>15,836</u>	<u>22,565</u>	<u>47,476</u>	<u>234,095</u>	<u>2,489,694</u>	<u>-</u>	<u>12,602,971</u>
289,043	308,837	270,092	216,141	327,632	337,100	-	352,037	4,216,538
51,792	68,658	64,497	48,627	59,293	78,103	-	88,371	998,952
28,687	41,290	30,404	14,442	31,992	32,374	38,733	1,170	513,522
-	-	-	-	-	-	-	34,529	34,529
-	-	-	-	-	-	-	176,278	176,279
-	-	-	-	-	-	-	750,762	750,762
-	-	-	-	-	-	-	12,192	12,192
5,906	6,860	14,689	3,132	5,103	11,092	-	206,022	356,438
-	9	-	-	23	-	-	-	25,593
-	-	-	-	-	-	-	-	86,807
20,472	56,222	23,219	34,733	22,083	23,677	-	-	245,977
10,275	10,165	14,009	7,398	8,115	7,899	-	-	154,522
-	-	-	-	-	5,399	-	249	18,308
1,319	128	878	361	108	802	-	3,335	39,072
383	1,084	456	784	-	7,170	-	1,321	50,476
-	-	-	-	-	-	-	-	40,539
-	-	-	-	-	-	-	-	89,110
-	-	-	-	-	-	-	-	19,874
-	-	-	-	-	420	-	-	318,129
-	-	-	-	1,025	299	177,000	-	263,687
-	-	-	-	-	-	-	-	23,220
-	-	-	-	-	-	1,378,199	-	1,378,199
878	945	775	811	919	3,841	25,428	-	43,510
-	-	-	-	-	-	-	60,853	87,625
-	-	-	-	-	-	-	-	420,000
-	-	-	-	-	-	-	-	313,849
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>408,755</u>	<u>494,198</u>	<u>419,019</u>	<u>326,429</u>	<u>456,293</u>	<u>508,176</u>	<u>1,619,360</u>	<u>1,687,119</u>	<u>10,677,709</u>
<u>\$ (370,955)</u>	<u>\$ (459,976)</u>	<u>\$ (403,183)</u>	<u>\$ (303,864)</u>	<u>\$ (408,817)</u>	<u>\$ (274,081)</u>	<u>\$ 870,334</u>	<u>\$ (1,687,119)</u>	<u>\$ 1,925,262</u>