

**Joseph T. Simpson Public Library**

Year Ended December 31, 2020  
with Comparative Totals for 2019



# Joseph T. Simpson Public Library

Financial Statements - Modified Cash Basis

Year Ended December 31, 2020 with Comparative Totals for 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
**Joseph T. Simpson Public Library**  
Mechanicsburg, Pennsylvania

We have audited the accompanying financial statements of **Joseph T. Simpson Public Library** (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2020, and the related statements of support and revenue, expenses, and other changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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 auditors consider 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **Joseph T. Simpson Public Library** as of December 31, 2020, and its support and revenue, expenses, and other changes in net assets and its cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the **Joseph T. Simpson Public Library's** 2019 financial statements, and our report dated October 29, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Trout CPA".

August 9, 2021  
Trout CPA

**Joseph T. Simpson Public Library**  
 STATEMENT of ASSETS, LIABILITIES, and NET ASSETS -  
 Modified Cash Basis  
 December 31, 2020 with Comparative Totals for 2019

	2020				2019	
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$ 528,412	\$ -0-	\$ 18,329	\$ -0-	\$ 546,741	\$ 527,096
<b>PROPERTY and EQUIPMENT</b>						
Land	-0-	314,330	-0-	-0-	314,330	314,330
Buildings	-0-	319,963	-0-	-0-	319,963	319,963
Improvements - Land and Building	-0-	2,759,522	-0-	-0-	2,759,522	2,710,037
Furniture and Equipment	-0-	529,590	-0-	-0-	529,590	529,590
Construction in Progress	-0-	-0-	-0-	-0-	-0-	8,820
	-0-	3,923,405	-0-	-0-	3,923,405	3,882,740
Accumulated Depreciation	-0-	(2,471,364)	-0-	-0-	(2,471,364)	(2,337,816)
	<b>-0-</b>	<b>1,452,041</b>	<b>-0-</b>	<b>-0-</b>	<b>1,452,041</b>	<b>1,544,924</b>
<b>OTHER ASSETS</b>						
Investments, Noncurrent	686,645	-0-	-0-	-0-	686,645	373,834
Materials Collection	-0-	2,197,043	-0-	-0-	2,197,043	2,145,942
Perpetual Interest in Assets Held by Others	-0-	-0-	-0-	367,830	367,830	343,022
Investments - Endowment Funds	-0-	-0-	-0-	51,528	51,528	33,267
	<b>686,645</b>	<b>2,197,043</b>	<b>-0-</b>	<b>419,358</b>	<b>3,303,046</b>	<b>2,896,065</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,215,057</u></b>	<b><u>\$ 3,649,084</u></b>	<b><u>\$ 18,329</u></b>	<b><u>\$ 419,358</u></b>	<b><u>\$ 5,301,828</u></b>	<b><u>\$ 4,968,085</u></b>

See notes to financial statements.

**Joseph T. Simpson Public Library**

STATEMENT of ASSETS, LIABILITIES, and NET ASSETS -

Modified Cash Basis

(Continued)

December 31, 2020 with Comparative Totals for 2019

	2020					2019
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
<b>LIABILITIES and NET ASSETS</b>						
<b>LIABILITIES</b>	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Board Designated	-0-	3,649,084	18,329	51,528	3,718,941	3,781,288
Undesignated	1,215,057	-0-	-0-	-0-	1,215,057	843,775
<b>Total Without Donor Restrictions</b>	<b>1,215,057</b>	<b>3,649,084</b>	<b>18,329</b>	<b>51,528</b>	<b>4,933,998</b>	<b>4,625,063</b>
With Donor Restrictions	-0-	-0-	-0-	367,830	367,830	343,022
<b>Total Net Assets</b>	<b>1,215,057</b>	<b>3,649,084</b>	<b>18,329</b>	<b>419,358</b>	<b>5,301,828</b>	<b>4,968,085</b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>\$ 1,215,057</b>	<b>\$ 3,649,084</b>	<b>\$ 18,329</b>	<b>\$ 419,358</b>	<b>\$ 5,301,828</b>	<b>\$ 4,968,085</b>

See notes to financial statements.

## Joseph T. Simpson Public Library

STATEMENT of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -  
Modified Cash Basis

Year Ended December 31, 2020 with Comparative Totals for 2019

	2020				2019	
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
<b>OPERATING ACTIVITIES</b>						
<b>Unrestricted Net Assets</b>						
<b>Support and Revenues</b>						
<b>Support:</b>						
Government Aid	\$ 765,103	\$ -0-	\$ -0-	\$ -0-	\$ 765,103	\$ 712,136
Contributions and Grants	315,742	-0-	-0-	-0-	315,742	150,980
Fundraisers	138,216	-0-	-0-	-0-	138,216	134,115
Donated Materials and Services	4,484	-0-	-0-	-0-	4,484	4,210
<b>Total Unrestricted Support</b>	<b>1,223,545</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>1,223,545</b>	<b>1,001,441</b>
<b>Revenues:</b>						
Fines and Assessments	19,072	-0-	-0-	-0-	19,072	37,139
Use Charges and Rentals	17,714	-0-	-0-	-0-	17,714	21,080
Investment Income	64,156	-0-	139	-0-	64,295	58,288
<b>Total Unrestricted Revenues</b>	<b>100,942</b>	<b>-0-</b>	<b>139</b>	<b>-0-</b>	<b>101,081</b>	<b>116,507</b>
<b>Net Assets Released from Restrictions</b>						
<b>Satisfaction of Spending Restriction</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>Total Unrestricted Support and Revenues</b>	<b>\$ 1,324,487</b>	<b>\$ -0-</b>	<b>\$ 139</b>	<b>\$ -0-</b>	<b>\$ 1,324,626</b>	<b>\$ 1,117,948</b>

See notes to financial statements.

## Joseph T. Simpson Public Library

STATEMENT of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -

Modified Cash Basis

(Continued)

Year Ended December 31, 2020 with Comparative Totals for 2019

	2020				2019	
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
<b>OPERATING ACTIVITIES (Continued)</b>						
<b>Unrestricted Expenses:</b>						
Library Program Services	\$ 738,728	\$ -0-	\$ -0-	\$ -0-	\$ 738,728	\$ 794,833
General and Administrative	150,497	-0-	-0-	-0-	150,497	112,401
Fundraising	70,557	-0-	-0-	-0-	70,557	81,981
<b>Total Unrestricted Expenses</b>	<b>959,782</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>959,782</b>	<b>989,215</b>
<b>Increase in Unrestricted Net Assets</b>	<b>364,705</b>	<b>-0-</b>	<b>139</b>	<b>-0-</b>	<b>364,844</b>	<b>128,733</b>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>						
Net Increase in Endowment Funds	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>29,889</b>	<b>29,889</b>	<b>50,824</b>
<b>Changes in Net Assets from Operation</b>	<b>364,705</b>	<b>-0-</b>	<b>139</b>	<b>29,889</b>	<b>394,733</b>	<b>179,557</b>
<b>NET ASSETS - Beginning</b>	843,775	3,690,866	57,155	376,289	4,968,085	4,891,839
<b>Other Changes in Unrestricted Net Assets</b>						
Depreciation	133,548	(133,548)	-0-	-0-	-0-	-0-
Building Improvements and Equipment						
Purchases Net of Basis - Property Disposed	(1,700)	40,665	(38,965)	-0-	-0-	-0-
Transfers to Endowments	(13,180)	-0-	-0-	13,180	-0-	-0-
Library Collection Disposals	-0-	(60,990)	-0-	-0-	(60,990)	(103,311)
Library Collection Purchases	(112,091)	112,091	-0-	-0-	-0-	-0-
	<b>6,577</b>	<b>(41,782)</b>	<b>(38,965)</b>	<b>13,180</b>	<b>(60,990)</b>	<b>(103,311)</b>
<b>NET ASSETS - Ending</b>	<b>\$ 1,215,057</b>	<b>\$ 3,649,084</b>	<b>\$ 18,329</b>	<b>\$ 419,358</b>	<b>\$ 5,301,828</b>	<b>\$ 4,968,085</b>

See notes to financial statements.



## Joseph T. Simpson Public Library

### STATEMENT of FUNCTIONAL EXPENSES -

Modified Cash Basis

Year Ended December 31, 2020 with Comparative Totals for 2019

	<u>2020</u>				<u>2019</u>
	<u>Library</u>				
	<u>Program</u>	<u>General and</u>		<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>		
<b>OPERATING FUND</b>					
Salaries and Wages	\$ 432,296	\$ 87,483	\$ 39,926	\$ 559,705	\$ 531,041
Payroll Taxes	34,895	7,062	3,223	45,180	46,537
Employee Benefits	19,566	3,959	1,807	25,332	43,282
Library Supplies and Programming	23,026	-0-	-0-	23,026	30,150
Postage and Freight	1,355	274	125	1,754	2,098
Printing and Office Expenses	2,852	577	263	3,692	13,772
Utilities and Telephone	19,847	4,016	1,833	25,696	30,737
Maintenance - Building and Equipment	36,073	7,300	3,332	46,705	61,040
Insurance	19,103	3,866	1,764	24,733	12,751
Travel and Conferences	2,495	-0-	-0-	2,495	3,730
Professional Fees	-0-	10,050	-0-	10,050	13,440
Merchant and Collection Fees	2,761	559	255	3,575	6,450
Payroll Processing	2,869	581	265	3,715	4,228
Advertising and Promotion	1,726	349	159	2,234	5,785
Computer Expenses	6,913	1,399	639	8,951	5,377
Dues and Memberships	1,094	221	101	1,416	3,630
Miscellaneous	9,521	1,927	879	12,327	5,201
Grant Expenses	14,704	-0-	-0-	14,704	-0-
Fundraising	-0-	-0-	6,460	6,460	21,777
Depreciation	103,148	20,874	9,526	133,548	136,614
Donated Materials and Supplies	4,484	-0-	-0-	4,484	4,210
	<b>738,728</b>	<b>150,497</b>	<b>70,557</b>	<b>959,782</b>	<b>981,850</b>
<b>LOCAL CAPITAL PROJECTS FUND</b>					
Maintenance - Building and Equipment	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>7,365</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 738,728</u></b>	<b><u>\$ 150,497</u></b>	<b><u>\$ 70,557</u></b>	<b><u>\$ 959,782</u></b>	<b><u>\$ 989,215</u></b>

See notes to financial statements.

## Joseph T. Simpson Public Library

### STATEMENT of CASH FLOWS -

Modified Cash Basis

Year Ended December 31, 2020 with Comparative Totals for 2019

	2020				2019
	Operating Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
<b>CASH FLOWS from OPERATING ACTIVITIES</b>					
Changes in Net Assets from Operations	\$ 364,705	\$ 139	\$ 29,889	\$ 394,733	\$ 179,557
Adjustments to Reconcile Changes in Net Assets from Operations to Net Cash Provided (Used) by Operating Activities					
Depreciation	133,548	-0-	-0-	133,548	136,614
Realized Gain on Sale of Investments	(5,107)	-0-	-0-	(5,107)	(5,913)
Unrealized Gain on Investments	(323,858)	-0-	-0-	(323,858)	(59,931)
Net Increase in Endowment Funds	-0-	-0-	(29,889)	(29,889)	(50,824)
	<b>169,288</b>	<b>139</b>	<b>-0-</b>	<b>169,427</b>	<b>199,503</b>
<b>Net Cash Provided by Operating Activities</b>					
<b>CASH FLOWS from INVESTING ACTIVITIES</b>					
Payment for Purchase of Materials Collection	(112,091)	-0-	-0-	(112,091)	(120,344)
Payment for Purchase of Property and Equipment	(1,700)	(38,965)	-0-	(40,665)	(48,869)
Payments for New Endowment and Investments	(13,181)	-0-	-0-	(13,181)	(7,655)
Payment for Purchase of Investments	(625,689)	-0-	-0-	(625,689)	(47,209)
Proceeds from Sale of Investments	641,844	-0-	-0-	641,844	40,830
	<b>(110,817)</b>	<b>(38,965)</b>	<b>-0-</b>	<b>(149,782)</b>	<b>(183,247)</b>
<b>Net Cash Used by Investing Activities</b>					
<b>INCREASE (DECREASE) in CASH</b>	<b>58,471</b>	<b>(38,826)</b>	<b>-0-</b>	<b>19,645</b>	<b>16,256</b>
<b>CASH</b>					
Beginning	469,941	57,155	-0-	527,096	510,840
Ending	<b>\$ 528,412</b>	<b>\$ 18,329</b>	<b>\$ -0-</b>	<b>\$ 546,741</b>	<b>\$ 527,096</b>

See notes to financial statements.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The **Joseph T. Simpson Public Library** (the Library), incorporated in August 1960, and operates as a nonprofit local public Library in Pennsylvania. The Library provides educational and entertaining materials and services to five municipalities as designated by the PA Commonwealth Libraries and to all residents of Cumberland County.

#### Basis of Accounting

The Library presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

In addition, the modified cash basis differs from US GAAP in that the Library has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the changes in net assets. The primary modifications to the cash basis of accounting are the capitalizing of the Library's property and equipment and recording of depreciation thereon, the recording of the cost of collections acquired as assets and recording of investments at fair value, and the recording of in-kind contributions. Therefore, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with US GAAP.

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification. Accordingly, the Library presents its financial position and activities according to two classes of net assets:

##### **Net Assets without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Library. These net assets may be used at the discretion of the Library's management and the Board of Trustees.

##### **Net Assets with Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Library. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Library has elected to continue its use of fund reporting for the benefit of readers of these financial statements, and has accordingly presented the required classes of net assets applicable to the Library under the following fund groups:

#### Operating Fund

Unrestricted net assets represent resources over which the Board of Trustees has discretionary control and are used to carry out operations of the Library in accordance with its bylaws.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment Fund

Unrestricted net assets of the property and equipment fund represent costs capitalized as acquisitions of property and equipment net of accumulated depreciation, the related debt to acquire those assets, if any, and the Library's materials collection.

#### Local Capital Projects Fund

Unrestricted net assets represent funds designated by the Board of Trustees to be used for capital projects, including costs of maintenance and improvements to the Library building and costs of any future Capital Campaign.

#### Endowment Fund

Permanently restricted net assets contributed to the Library. The income only to be used for the purposes specified, with the principal to be retained as a permanent endowment fund.

#### Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates. The Library estimates relate primarily to depreciation, which is based on estimated useful lives, fair value measurement of investments, replacement cost of materials collection, and the allocation of functional expenses.

#### Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### Income Taxes

The Library is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities, if any, and is not a private foundation as determined by the IRS. The Library did not have any unrelated business income for the year ended December 31, 2020.

#### Uncertainty in Income Taxes

The Library follows FASB ASC 740, *Income Taxes*, which provides guidance on accounting for uncertainty in income taxes recognized in the Library's financial statements. Management has determined that the Library does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Library's tax returns will not be challenged by the taxing authorities and that the Library will not be subject to additional tax, penalties, and interest as a result of such challenge.

Management is not aware of any uncertain tax positions taken by the Library.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash

For purposes of presenting cash flows, the Library includes as cash, cash on deposit with financial institutions in checking accounts, money market accounts, and savings accounts since the Library owns no cash equivalents.

#### Investments

Investments are carried at fair value in the statement of assets, liabilities, and net assets - modified cash basis in accordance with FASB ASC Topic 958, *Not-For-Profit Entities*. Gains and losses on investments are required to be reported in the statement of support and revenue, expenses, and other changes in net assets - modified cash basis as increases or decreases in net assets without donor restrictions unless restrictions are stipulated by the donor or by law. Contributed investments are recorded as a contribution at the fair value on the date received.

#### Fair Value Measurement

The Library adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosure*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

#### Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at fair value at the date of gift. Assets costing \$500 or greater and having a useful life greater than a year generally are capitalized and are depreciated on the straight-line method based on the following estimated useful lives:

Building and Improvements	10 - 30 Years
Furniture and Equipment	5 - 10 Years

Major improvements to property and equipment are capitalized and depreciated over the estimated useful life of the asset. Maintenance and normal repairs are expensed as paid. When assets are sold, the cost and related accumulated depreciation amounts are removed from the books, with any gain or loss being reflected in the statement of support and revenue, expenses, and other changes in net assets - modified cash basis. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

#### Materials Collection

The Library capitalizes the value of its inexhaustible materials collection, including books, periodicals, and audio-visuals. The collection is valued at estimated average replacement prices. Management feels the Library has obtained adequate insurance coverage to protect the collection from loss.

#### Investments - Noncurrent and Endowment Funds

Restricted endowment funds are invested at a local foundation and brokerage firm as three separate endowment funds to benefit the Library. The funds are reported in these statements at market value as provided by the Library and brokerage firm. Noncurrent investments without restrictions are invested at a local financial institution brokerage and are reported in these statements at fair value.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

The Library recognizes revenues from exchange transactions, primarily various program fees charged to Library patrons such as fines, internet, and fees for copies charged and received under the modified cash basis of accounting.

#### Contributions and Donated Materials and Services

Support that is restricted by the donor is reported as an increase in net assets - without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor - restricted support is reported as an increase in net assets - with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets - with donor restrictions are reclassified to net assets - without donor restrictions and reported in the statement of support and revenue, expenses, and other changes in net assets - modified cash basis as net assets released from restrictions.

The Library receives substantial services donated by volunteers interested in the programs and services provided by the Library to the community. Because of the difficulty in assigning values for these services, those items are not reflected in these financial statements. However, when the value of substantial or specialized donated services or specific donated materials is ascertainable, they are reflected in the financial statements as support received and expenses paid. Specific materials donated for use in providing library programs are recorded as support and expenses of the operating fund. Specialized services donated in renovations to the building, if any, are included as support in the local capital projects fund with expense capitalized as building improvements under the property and equipment fund.

#### Functional Expenses

The costs of providing Library programs and supporting services has been summarized on a functional basis in the statement of support and revenue, expenses, and other changes in net assets - modified cash basis. Certain expenses are charged directly to program or supporting services based on specific identification. Indirect expenses have been allocated based on salary expenses or other reasonable allocation methods.

The expenses that are allocated include the following:

<b>Expense</b>	<b>Method of Allocation</b>
Salaries and Wages	Time and Effort
Payroll Taxes	Time and Effort
Employee Benefits	Time and Effort
Depreciation	Time and Effort
Utilities and Telephone	Time and Effort
Maintenance - Building and Equipment	Time and Effort
Insurance	Time and Effort
Advertising and Promotion	Time and Effort
Others	Time and Effort

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Contributions and Grants

Contributions and grants includes federal, state and local COVID-19 relief assistance and other grants for Library programming in 2020. For the year ended December 31, 2020, the Library received grant income from the Small Business Administration's Paycheck Protection Program totaling \$107,900. The proceeds are recognized as grant income, as the conditions for forgiveness and eligibility are substantially met. The qualifying grant expenses were paid during the year ended December 31, 2020.

#### Accounting Standards Adopted in 2020

During the current year, the Library adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standard for revenue recognition. The Library has analyzed the provisions of the FASB's ASC Topic 606, and has concluded that no changes to the Library's preexisting policies of revenue recognition are necessary to conform with the new standard. Therefore, a restatement of net assets is not necessary to apply the standard retrospectively.

#### Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the Library's calendar year ending December 31, 2022. The Library is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

### NOTE 2 - CONCENTRATION of CREDIT RISK

Financial instruments that potentially subject the Library to concentration of credit risk consist principally of cash balances and investments. The Library maintains its cash and investment balances with various financial institutions. Balances with these institutions may at times exceed FDIC and SIPC insurance limitations. Management believes that it is not exposed to any significant credit risk on its cash accounts.

### NOTE 3 - INVESTMENTS - RESERVE FUND

A reserve fund investment account was established in 2017 to ensure the long-term financial stability of the Library. Management accounts for these investments in an unrestricted, undesignated fund. All interest, dividends, and realized gains are reinvested in the fund. Use of reserve fund assets requires the direct approval of the Board of Trustees. All investments within this reserve fund account are considered noncurrent as there are no investments with fixed maturity dates and the intent of the Library is to hold these investments beyond the next twelve-month period.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 3 - INVESTMENTS - RESERVE FUND (Continued)

At December 31, 2020 and 2019, investments are presented in the financial statements in the aggregate at fair market value at:

	2020	2020	2019	2019
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	32,704	32,704	22,607	22,607
Fixed Income Mutual Funds	285,319	293,905	140,213	142,102
Equity Securities	298,675	344,810	182,505	194,125
Certificates of Deposit	<u>15,000</u>	<u>15,226</u>	<u>15,000</u>	<u>15,000</u>
	<b>631,698</b>	<b>686,645</b>	<b>360,325</b>	<b>373,834</b>
Noncurrent	631,698	686,645	360,325	373,834

### NOTE 4 - INVESTMENTS - ENDOWMENT FUNDS

Endowment fund investments at December 31, 2020 and 2019, consists of:

	2020	2019
General Endowment - Board Designated Quasi Endowment - Local Brokerage	51,528	33,267

#### Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the UPMIFA, or a version of the Uniform Management of Institutional Funds Act (UPMIFA). Governing law resides in 15 Pa. C.S. §5548 "Investment of Trust Funds". The Library has interpreted relevant law as requiring the donor-restricted endowment fund, absent explicit donor stipulations to the contrary, to be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The Library classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Pennsylvania law permits the Board of Directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of assets related to donor-restricted endowment funds averaged over a period of three preceding years, provided the Board has determined that such percentage is consistent with the long-term preservation of the real value of such assets.



# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - INVESTMENTS - ENDOWMENT FUNDS (Continued)

#### Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to maintain expenditures supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Library must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested based on the standards of a "Prudent Man" that is intent to produce results that exceed the standard indices for each investment classification on an annual basis.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library's investment fund asset mix is invested among equities, fixed income, and cash equivalents. The Board has determined an asset mix strategy to improve the probability of achieving enhanced real (inflation protected) rates of return.

#### Spending Policy

The spending policy of the Library is set to provide, as closely as possible, equitable benefits from the endowment for current and future programs. A spending policy has been adopted to fairly meet programmatic requirements of the endowment. The Library appropriates funds determined on a total return basis, e.g., interest, dividends, and appreciation of the principal.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount maintained as net assets with donor restrictions. There were no such deficiencies as of December 31, 2020 and 2019. Pennsylvania law allows for aggregation of endowments, therefore endowments with deficiencies are netted with gains and accounted for within net assets with donor restrictions.

Endowment funds are invested at a local financial institution brokerage (OFA) for the purpose of establishing the Joseph T. Simpson Public Library General Endowment Fund. Additions may be made to the fund at any time. The funds are invested in 75% equity funds, 16% fixed income and 9% cash and equivalents at the institution as selected by the Library's Board of Trustees. The endowment fund is shown at market value. The change in value of the fund is recorded under the endowment fund as changes in restricted net assets. Distributions are recorded as unrestricted contributions in the operating fund if the distribution is used in the same year as received to subsidize general operations of the Library. For 2020 and 2019, the TFEC annual distribution of \$10,382 and \$10,655, respectively, was withdrawn, transferred, and invested in the endowment at OFA.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 4 - INVESTMENTS - ENDOWMENT FUNDS (Continued)

#### Funds with Deficiencies (Continued)

Changes in board designated endowment net assets for the years ended December 31, 2020 and 2019:

	2020	2019
Endowment Net Assets, Beginning of Year	33,267	17,251
Contributions/Reinvested Grant Funds	13,182	6,000
Investment Return:		
Interest and Dividend Income	516	264
Net Realized and Unrealized Gains	4,763	9,792
Investment-Related Fees	<u>(200)</u>	<u>(40)</u>
Total Investment Return	<u>5,079</u>	<u>10,016</u>
<b>Endowment Net Assets, End of Year</b>	<b>51,528</b>	<b>33,267</b>

### NOTE 5 - PERPETUAL INTEREST in ASSETS HELD by OTHERS

Perpetual interest in assets held by others at December 31, 2020 and 2019 consists of:

	2020	2019
Book Fund Endowment -		
Donor Restricted - Local Foundation	25,593	22,996
General Endowment -		
Board Restricted Quasi Endowment - Local Foundation	<u>342,237</u>	<u>320,026</u>
	<b>367,830</b>	<b>343,022</b>

#### Book Fund - Donor Restricted

These funds are invested in trust at a local community foundation for the purpose of establishing the Joseph T. Simpson Public Library Book Fund as stipulated in the original donor's bequest. Additions may be made to the fund at any time. The funds are invested in 70% equity funds and 30% fixed income at the foundation as selected by the Library's Board of Trustees. The fund is shown at fair value. The change in value of the fund is recorded under the Library's endowment fund as changes in restricted net assets. Annual distributions, as calculated by the foundation, are recorded as unrestricted contributions in the operating fund if the distribution is used in the same year as received to purchase collection materials. For 2020 and 2019, the Library's Board of Trustees elected to have the annual distribution reinvested in the fund principal.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 5 - PERPETUAL INTEREST in ASSETS HELD by OTHERS (Continued)

#### Book Fund - Donor Restricted (Continued)

Changes in book fund-donor-restricted net assets for the years ended December 31, 2020 and 2019:

	2020	2019
Net Assets, Beginning of Year	22,996	19,371
Contributions/Reinvested Grant Funds	785	825
Investment Return:		
Interest and Dividend Income	478	520
Net Realized and Unrealized Gains	2,576	3,541
Investment-Related Fees	<u>(457)</u>	<u>(436)</u>
	<b>2,597</b>	<b>3,625</b>
Appropriation of Fund Assets for Expenditure	<u>(785)</u>	<u>(825)</u>
<b>Net Assets, End of Year</b>	<b>25,593</b>	<b>22,996</b>

#### General TFEC Fund - Board Restricted

Funds are invested in trust at a local community foundation (TFEC) for the purpose of establishing the "Joseph T. Simpson Public Library General Endowment Fund". Additions may be made to the fund at any time. The funds are invested in 70% equity funds and 30% fixed income at the foundation as selected by the Library's Board of Trustees. The fund is shown at fair value. The change in value of the fund is recorded under the Library's endowment fund as changes in restricted net assets. Annual distributions, as calculated by the foundation, are recorded as unrestricted contributions in the operating fund if the distribution is used in the same year as received to subsidize general operations of the Library. For 2020 and 2019, the TFEC annual distributions of \$10,382 and \$10,655, respectively, was withdrawn, transferred and invested in the new Endowment at OFA reported as investments - endowment fund in Note 4.

Changes in general fund board restricted net assets for the years ended December 31, 2020 and 2019:

	2020	2019
Net Assets, Beginning of Year	320,026	279,188
Investment Return:		
Interest and Dividend Income	6,443	7,364
Net Realized and Unrealized Gains	32,321	50,342
Investment-Related Fees	<u>(6,171)</u>	<u>(6,213)</u>
Total Investment Return	<b>32,593</b>	<b>51,493</b>
Appropriation of Fund Assets for Expenditure	<u>(10,382)</u>	<u>(10,655)</u>
<b>Net Assets, End of Year</b>	<b>342,237</b>	<b>320,026</b>

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### **NOTE 6 - NET ASSETS with DONOR RESTRICTIONS**

Permanently restricted net assets at December 31, 2020, consists of two separate endowment funds as described below.

The first endowment was created in 2000 at TFEC from donor bequeathed restricted funds to the Library and restricted to establish an endowment fund for the purpose of purchasing new books for the Library's collection. The principal amount donated, along with any future restricted additions to the fund, is to be retained in perpetuity, with only the income distributed being restricted for purchasing of new books. Income received from these funds is released from restriction by the purchase of books included in the Library's collection, however no income was received in 2020 and 2019, as the Library Board approved reinvesting the annual "income grant" back into the endowment fund.

The second endowment was created in 2012 at TFEC. In 2008, a donor bequeathed restricted funds to the Library in the amount of \$100,000 and were deposited into the Library's local capital projects fund. Additional funds from restricted or unrestricted funds bequeathed or contributed to the Library and approved by the Library's Board of Trustees may be added to this restricted agency endowment fund at the same local foundation. The net income of the fund is to be distributed to the Library for general operating expenses after deducting expenses of investing and administering it. The principal amounts donated including current and future additions to the fund, is to be retained in perpetuity, with only the income distributed able to be used to support the Library's general operations and is released from restriction in the same year the distribution is received by expending on Library operations. The annual income grant received by the Library in 2020 and 2019, as approved by the Library's Board of Trustees, was reinvested into the Library's general endowment fund which was opened in December 2018 at a local financial institution brokerage (OFA) for any new endowment contributions received going forward.

### **NOTE 7 - DESIGNATED FUNDS**

The Board of Trustees designated in prior years certain funds invested in money markets as local capital projects fund. Local capital projects funds are to be used for future payment of capital improvements to the building.

### **NOTE 8 - FAIR VALUE MEASUREMENTS**

Fair value accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority to unobservable inputs.

The Library uses the following valuation techniques to measure fair value of assets on a recurring basis. There have been no changes in the methodologies used at December 31, 2020.

Money Market Fund - The carrying amount approximates fair value because of the short-term nature of these investments.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

Certificates of Deposit - Value is based on principal balance.

Fixed Income Mutual Funds - Fair value is based on the closing price reported in the active market in which the fund is traded. If there were no sales reported on the last business day of the year, the fund is valued based on a comparable security of like quality and maturity that was traded on December 31, 2018.

Equity Securities - Fair value of equity securities is based on quoted market prices for the identical or similar securities, reported on the active market on which the securities are traded.

Perpetual Interest in Assets Held by Others - Valued at the present value of estimated future cash flows from the underlying assets.

Endowment Funds - Fair value of the endowments are based on a fair value of the endowment funds as provided by the community foundation at which it is held. The present value measures are utilized as the underlying assets of the endowment funds are not in control of the Library.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value on a recurring basis as of December 31, 2020.

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market Fund	32,704	32,704	-0-	-0-
Fixed Income Mutual Funds	293,905	293,905	-0-	-0-
Equity Securities	344,810	344,810	-0-	-0-
Certificates of Deposit	15,226	15,226	-0-	-0-
Perpetual Interest in Assets				
Held by Others	367,830	-0-	-0-	367,830
Endowment Funds	<u>51,528</u>	<u>51,528</u>	<u>-0-</u>	<u>-0-</u>
	<b>1,106,003</b>	<b>738,173</b>	<b>-0-</b>	<b>367,830</b>

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Library's assets at fair value on a recurring basis as of December 31, 2019.

	Total	Level 1	Level 2	Level 3
Money Market Fund	22,607	22,607	-0-	-0-
Fixed Income Mutual Funds	142,102	142,102	-0-	-0-
Equity Securities	194,125	194,125	-0-	-0-
Certificates of Deposit	15,000	15,000	-0-	-0-
Perpetual Interest in Assets				
Held by Others	343,022	-0-	-0-	343,022
Endowment Funds	<u>33,267</u>	<u>33,267</u>	<u>-0-</u>	<u>-0-</u>
	<b>750,123</b>	<b>407,101</b>	<b>-0-</b>	<b>343,022</b>

The activity recognized during the year ended December 31, 2020, for Level 3 financial instruments is as follows:

#### Perpetual Interest in Assets Held by Others

Balance, January 1, 2020	343,022
Investment Income - Net	6,921
Unrealized Gain	34,897
Administrative Fees	(6,628)
Distributions	<u>(10,382)</u>
Perpetual Interest in Assets Held by Others at December 31, 2020	<b>367,830</b>

The activity recognized during the year ended December 31, 2019, for Level 3 financial instruments is as follows:

#### Perpetual Interest in Assets Held by Others

Balance, January 1, 2019	298,559
Investment Income - Net	7,904
Unrealized Gain	53,863
Administrative Fees	(6,649)
Distributions	<u>(10,655)</u>
Perpetual Interest in Assets Held by Others at December 31, 2019	<b>343,022</b>

Gains and losses (realized and unrealized) included in changes in value for the period above are reported in net realized and unrealized gains (losses) of investments in the statement of support and revenue, expenses, and other changes in net assets - modified cash basis.

#### Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

#### Changes in Fair Value Levels (Continued)

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the year ended December 31, 2020, there were no significant transfers in or out of levels 1, 2, or 3.

### NOTE 9 - PROPERTY and EQUIPMENT and ACCUMULATED DEPRECIATION

The Library's property and equipment and accumulated depreciation at December 31, 2020, consisted of the following:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	314,330	-0-	314,330
Buildings	319,963	256,858	63,105
Improvements - Land and Buildings	2,759,522	1,748,981	1,010,541
Furniture and Equipment	<u>529,590</u>	<u>465,525</u>	<u>64,065</u>
	<b>3,923,405</b>	<b>2,471,364</b>	<b>1,452,041</b>

The Library's property and equipment and accumulated depreciation at December 31, 2019, consisted of the following:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	314,330	-0-	314,330
Buildings	319,963	246,193	73,770
Improvements - Land and Buildings	2,710,037	1,650,280	1,059,757
Furniture and Equipment	529,590	441,343	88,247
Construction in Progress	<u>8,820</u>	<u>-0-</u>	<u>8,820</u>
	<b>3,882,740</b>	<b>2,337,816</b>	<b>1,544,924</b>

# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 10 - MATERIALS COLLECTION

The Library has elected to capitalize its collection of Library materials, including all books, reference materials, periodicals, audio-visuals, and other collection materials. Each of the collection items is catalogued and protected and activities verifying their existence and assessing their condition are performed periodically. All materials are being treated as an inexhaustible collection with no depreciation or amortization because the useful lives are not readily determinable. The collection value for older materials has been recorded using estimated replacement value as established for insurance purposes using industry published average prices. Recent acquisitions have been capitalized using actual purchase prices which approximate fair value at December 31, 2020. Collection disposals for 2020 were recorded at estimated market value and any resulting loss on disposition is recorded as other changes in unrestricted net assets. Any proceeds from dispositions are used to purchase new collection materials.

### NOTE 11 - CONCENTRATIONS

Joseph T. Simpson Public Library received approximately 58% and 64% of their total operating support and revenue from the Commonwealth of Pennsylvania and Cumberland County for the years ended December 31, 2020 and 2019, respectively. The County aid is allocated to local public libraries primarily from a county-wide Library tax assessment.

### NOTE 12 - CONTINUING OPERATIONS

The continuation of an entity's operations is usually assumed in financial accounting in the absence of evidence to the contrary. However, an operation which depends primarily on support from agencies of the government is always subject to legislative action which could significantly affect the amount of support it receives.

### NOTE 13 - AVAILABILITY and LIQUIDITY

The following represents the Library's financial assets available for expenses within one year of the statement of support and revenue, expenses, and other changes in net assets - modified cash basis at December 31, 2020 and 2019:

	2020	2019
Cash	546,741	527,096
Investments - Noncurrent	686,645	373,834
Investments - Endowment Funds	51,528	33,267
Perpetual Interest in Assets Held by Others	<u>367,830</u>	<u>343,022</u>
<b>Total Financial Assets</b>	<b>1,652,744</b>	<b>1,277,219</b>



# Joseph T. Simpson Public Library

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - AVAILABILITY and LIQUIDITY (Continued)

	2020	2019
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	(77,121)	(56,263)
Board Designated Local Capital Projects Fund	(18,329)	(57,155)
Investments, noncurrent	<u>(686,645)</u>	<u>(373,834)</u>
	<b><u>(782,095)</u></b>	<b><u>(487,252)</u></b>
<b>Financial Assets Available to Meet General Expenses</b>		
<b>Within One Year</b>	<b>870,649</b>	<b>789,967</b>

In accordance with the Library Policy, the Library maintains an operational reserve fund consisting of cash or cash equivalents outside of the Library's investment funds targeted at three to six months of average operating costs. Additionally, the Library maintains a local capital project reserve fund designated by the Board for any major capital needs relating to building improvements, upkeep, and maintenance.

### NOTE 14 - UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. The Library has continued limited operations within the rigid guidelines aimed at halting the spread of the virus. The Library anticipates that their operations will be impacted by the COVID-19 event and will depend on the impact to their patrons, but cannot currently estimate the impact on its financial condition. Management is monitoring the evolving situation and adapting operations and decision making as necessary.

### NOTE 15 - SUBSEQUENT EVENTS

On June 3, 2021, the Library's Small Business Administration's Paycheck Protection Program loan was forgiven in accordance with the program and legally extinguished. The Library has no obligation to repay the loan.

Subsequent events have been evaluated through August 9, 2021, which represents the date the financial statements were available to be issued.