

JOSEPH T. SIMPSON PUBLIC LIBRARY

FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2024 WITH
COMPARATIVE TOTALS FOR 2023
AND INDEPENDENT AUDITOR'S REPORT**



**McKONLY
& ASBURY** TAX
ASSURANCE
CONSULTING
ACCOUNTING

JOSEPH T. SIMPSON PUBLIC LIBRARY

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Joseph T. Simpson Public Library

Opinion

We have audited the financial statements of Joseph T. Simpson Public Library , which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2024, and the related statements of support, revenues, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and net assets of Joseph T. Simpson Public Library as of December 31, 2024, and its support, revenues, and expenses for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Joseph T. Simpson Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Joseph T. Simpson Public Library for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on August 13, 2024.

Camp Hill

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Emphasis of Matter – 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Joseph T. Simpson Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Joseph T. Simpson Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

Another auditor previously audited Joseph T. Simpson Public Library’s 2023 financial statements and expressed on unmodified audit opinion on those modified cash basis financial statements in the third party report dated August 13, 2024. In the third party’s opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements form which is has been derived.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
August 22, 2025

JOSEPH T. SIMPSON PUBLIC LIBRARY

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2024 AND COMPARATIVE TOTALS FOR 2023

	ASSETS					2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
Current assets						
Cash and cash equivalents	\$ 310,448	\$ -	\$ 355,374	\$ -	\$ 665,822	\$ 1,047,071
Property and equipment						
Land	-	477,409	-	-	477,409	477,409
Construction in progress	-	-	-	-	-	36,141
Buildings	-	1,842,315	-	-	1,842,315	682,946
Improvements - land and building	-	2,815,727	-	-	2,815,727	2,779,586
Furniture and equipment	-	537,895	-	-	537,895	484,738
	-	5,673,346	-	-	5,673,346	4,460,820
Accumulated depreciation	-	(2,950,690)	-	-	(2,950,690)	(2,822,918)
	-	2,722,656	-	-	2,722,656	1,637,902
Other assets						
Investments, noncurrent	972,799	-	-	-	972,799	1,215,193
Materials collection	-	2,287,675	-	-	2,287,675	2,474,292
Perpetual interest in assets held by others	-	-	-	395,718	395,718	358,789
Investment - endowment funds	-	-	-	130,731	130,731	108,981
	972,799	2,287,675	-	526,449	3,786,923	4,157,255
Total assets	<u>\$ 1,283,247</u>	<u>\$ 5,010,331</u>	<u>\$ 355,374</u>	<u>\$ 526,449</u>	<u>\$ 7,175,401</u>	<u>\$ 6,842,228</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2024				2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total
Current liabilities					
Current maturities of long-term debt	\$ 9,719	\$ -	\$ -	\$ -	\$ 9,719
Long-term debt, less current maturities	116,615	-	-	-	126,243
Total liabilities	126,334	-	-	-	135,679
Net assets					
Without donor restrictions:					
Board designated	-	5,010,331	355,374	130,731	5,496,436
Undesignated	1,156,913	-	-	-	1,205,553
Total without donor restrictions	1,156,913	5,010,331	355,374	130,731	6,653,349
With donor restrictions	-	-	-	395,718	395,718
Total net assets	1,156,913	5,010,331	355,374	526,449	7,049,067
Total liabilities and net assets	\$ 1,283,247	\$ 5,010,331	\$ 355,374	\$ 526,449	\$ 7,175,401

JOSEPH T. SIMPSON PUBLIC LIBRARY

STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2024 WITH COMPARATIVE TOTALS FOR 2023

	2024					2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
OPERATING ACTIVITIES						
Net assets without donor restrictions						
Support and revenues:						
Government aid	\$ 871,319	\$ -	\$ -	\$ -	\$ 871,319	\$ 853,697
Contributions and grants	177,709	-	-	-	177,709	488,813
Fundraisers	122,249	-	-	-	122,249	142,169
Donated materials and services	1,800	-	-	-	1,800	1,800
Total support without donor restrictions	1,173,077	-	-	-	1,173,077	1,486,479
Revenue (loss)						
Fines and assessments	17,136	-	-	-	17,136	27,703
User charges and rentals	21,944	-	-	-	21,944	21,176
Rental income	1,997	-	14,400	-	16,397	17,162
Investment gain (loss)	74,718	-	19,547	21,750	116,015	92,464
Miscellaneous income	633	-	-	-	633	-
Total revenue without donor restrictions	116,428	-	33,947	21,750	172,125	158,505
Net assets released from restrictions						
Satisfaction of spending restrictions	9,544	-	990,074	-	999,618	65,350
Total support and revenue without donor restrictions	\$ 1,299,049	\$ -	\$ 1,024,021	\$ 21,750	\$ 2,344,820	\$ 1,710,334

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JOSEPH T. SIMPSON PUBLIC LIBRARY

STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS (CONT'D)

YEAR ENDED DECEMBER 31, 2024 WITH COMPARATIVE TOTALS FOR 2023

	2024				2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total
Operating Activities (continued)					
Expenses:					
Library program services	\$ 904,013	\$ -	\$ 12,810	\$ -	\$ 916,823
General and administrative	126,932	-	1,698	-	128,630
Fundraising	86,802	-	39,876	-	126,678
Total expenses	1,117,747	-	54,384	-	1,172,131
Change in net assets without donor restrictions from operations	181,302	-	969,637	21,750	1,172,689
Net assets with donor restrictions					
Net increase in endowment funds	-	-	-	36,929	36,929
Capital campaign contributions	-	-	454,787	-	454,787
Net asset released from restriction	(9,544)	-	(990,074)	-	(999,618)
Change in net assets with donor restrictions from operation	(9,544)	-	(535,287)	36,929	(507,902)
Total changes in net assets from operations	171,758	-	434,350	58,679	664,787
Net assets, beginning of year	1,205,553	4,112,194	921,032	467,770	6,706,549
Other changes					
Deprecation	127,772	(127,772)	-	-	-
Payment on building loan	9,345	-	(9,345)	-	-
Payment of expenses for capital campaign	-	1,212,526	(1,212,526)	-	-
Transfers to operating	(221,863)	-	221,863	-	-
Library collection disposals	-	(322,269)	-	-	(322,269)
Library collection purchases	(135,652)	135,652	-	-	-
Total other changes in net assets without donor restrictions	(220,398)	898,137	(1,000,008)	-	(322,269)
Total changes in net assets without donor restrictions	(39,096)	898,137	(30,371)	21,750	850,420
Total change in net asset	(48,640)	898,137	(565,658)	58,679	342,518
Net assets, end of year	\$ 1,156,913	\$ 5,010,331	\$ 355,374	\$ 526,449	\$ 6,706,549

The accompanying notes are an integral part of these financial statements.

JOSEPH T. SIMPSOM PUBLIC LIBRARY

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2014 WITH COMPARTIVE TOTALS FOR 2023

	2024				2023
	Supporting Services				
	Program Services	Management and General	Fundraising	Total	Total
Operating fund					
Salaries and wages	\$ 511,829	\$ 67,833	\$ 37,000	\$ 616,662	\$ 599,534
Payroll taxes	45,340	6,009	3,278	54,627	51,628
Employee benefits	48,986	6,492	3,541	59,019	57,978
Library supplies and programming	28,032	-	-	28,032	34,467
Postage and freight	1,937	257	140	2,334	2,286
Printing and office expenses	5,181	687	375	6,243	5,963
Utilities and telephone	45,216	5,992	3,269	54,477	39,837
Maintenance - building and equipment	38,757	5,136	2,802	46,695	44,815
Insurance	27,259	3,613	1,971	32,843	26,232
Travel and conferences	2,563	-	-	2,563	1,354
Professional fees	-	12,850	-	12,850	11,525
Merchant and collection fee	6,518	864	471	7,853	7,006
Payroll processing	5,403	716	391	6,510	6,232
Advertising and promotion	9,163	1,214	662	11,039	14,229
Computer expenses	5,691	754	411	6,856	8,346
Dues and memberships	2,133	283	154	2,570	3,057
Miscellaneous	1,339	177	97	1,613	2,899
Grant expenses	10,815	-	-	10,815	17,000
Fundraising	-	-	24,574	24,574	35,166
Depreciation	106,051	14,055	7,666	127,772	131,462
Donated materials and supplies	1,800	-	-	1,800	1,800
Total operating expenses	904,013	126,932	86,802	1,117,747	1,102,816
Local capital projects fund					
Maintenance- building and equipment	8,646	1,146	625	10,417	2,548
Fundraising	-	-	38,950	38,950	11,363
Interest	4,164	552	301	5,017	5,387
Total local capital projects fund expenses	12,810	1,698	39,876	54,384	19,298
Total functional expenses	\$ 916,823	\$ 128,630	\$ 126,678	\$ 1,172,131	\$ 1,122,114

The accompanying notes are an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2024 AND COMPARATIVE TOTALS FOR 2023

	2024					2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
Cash flows from operating activities						
Changes in net assets from operations	\$ 171,758	\$ -	\$ 434,350	\$ 58,679	\$ 664,787	\$ 1,083,049
Adjustments to reconcile changes in new assts from operations to net cash provided by (used in) operating activities						
Depreciation	127,772	-	-	-	127,772	131,462
Contributions received from capital campaign	-	-	(454,787)	-	(454,787)	(514,226)
Relized gain on sale of investments	(15,367)	-	-	-	(15,367)	(4,008)
Unrelized gain on investments	(61,474)	-	-	-	(61,474)	(68,458)
Net increase in endowment funds	-	-	-	(58,679)	(58,679)	(48,178)
Net cash provided by (used in) operating activities	222,689	-	(20,437)	-	202,252	579,641
Cash flows from investing activities						
Payment from puurchase of material collection	(135,652)	-	-	-	(135,652)	(133,971)
Payment for purchase of property and equipment	-	-	(990,663)	-	(990,663)	(36,141)
Payment for purchase of investments	(346,483)	-	-	-	(346,483)	(698,443)
Proceeds from sales of investments	333,855	-	110,000	-	443,855	198,132
Payments for new quasi-endowment and investments	-	-	-	-	-	(9,911)
Net cash used in investing activities	(148,280)	-	(880,663)	-	(1,028,943)	(680,334)

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JOSEPH T. SIMPSOM PUBLIC LIBRARY

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS (CONT'D)

YEAR ENDED DECEMBER 31, 2024 AND COMPARATIVE TOTALS FOR 2023

	2024					2023
	Operating Fund	Property and Equipment Fund	Local Capital Projects Fund	Endowment Fund	Total	Total
Cash flows from financing activities						
Collection of contributions restricted for capital campaign	\$ -	\$ -	\$ 454,787	\$ -	\$ 454,787	\$ 514,226
Principal payments on note payable	-	-	(9,345)	-	(9,345)	(228,676)
Net cash provided by financing activities	-	-	445,442	-	445,442	285,550
Increase (decrease) in cash and cash equivalents	74,409	-	(455,658)	-	(381,249)	184,857
Cash equivalents						
Beginning	236,039	-	811,032	-	1,047,071	862,214
Ending	<u>\$ 310,448</u>	<u>\$ -</u>	<u>\$ 355,374</u>	<u>\$ -</u>	<u>\$ 665,822</u>	<u>\$ 1,047,071</u>
Supplemental disclosure of cash flow information						
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,017</u>	<u>\$ -</u>	<u>\$ 5,017</u>	<u>\$ 5,387</u>

The accompanying notes are an integral part of these financial statements.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Joseph T. Simpson Public Library (the Library), incorporated in August 1960, 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, with the exception of the primary modifications to the cash basis of accounting are the capitalizing of the Library's property and equipment and recording of depreciation thereon, recording debt, the recording of the cost of collections acquired as assets and recording of investments at fair value, and the recording of in-kind contributions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification (ASC) Topic No. 958, *Not-for-Profit Entities*. ASC 958 requires the Library to report information regarding its financial position and activities according to two classes of net assets that are based on the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The following is a description of the Library's two net asset categories:

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. See Note 7.

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, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both. See Note 6.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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.

Property and Equipment Fund

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

The local capital projects fund includes both board designated net assets and donor restricted net assets. Board designated funds are designated by the Board of Trustees to be used for capital projects, including costs of maintenance and improvements to the Library building. Donor restricted funds are designated for capital campaign projects.

Endowment Fund

The endowment fund includes both board designated net assets and net assets with donor restrictions that were 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.

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, 2023, from which the summarized information was derived.

Use of Estimates

The Library uses estimates and assumptions in preparing these financial statements in accordance with modified cash basis of accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenues and expenses. Actual results may vary from the estimates that were used.

Significant estimates relate primarily to replacement cost of materials collections, depreciation of

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

property and equipment, fair value measurement of investments, and allocation of functional expenses.

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 years ended December 31, 2024 and 2023 respectively.

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.

For the years ended December 31, 2024 and 2023, the Library has taken no material tax positions on its applicable tax filings that do not meet the "more likely than not" threshold. As a result, no amount for UTPs has been included in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2021.

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. 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.

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 \$2,500 or greater and having a useful life greater than a year generally are capitalized and are depreciated on the straight-line method based on

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NOTES TO FINANCIAL STATEMENTS

the following estimated useful lives:

Building and improvements	10 - 39 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. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

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 fair 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.

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 when received under the modified cash basis of accounting.

Contribution, Grants 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.

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NOTES TO FINANCIAL STATEMENTS

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 or donations-in-kind for the purchase of or renovations to buildings are included as support in the local capital projects fund with expense capitalized as buildings or building improvements under the property and equipment fund.

For the years ended December 31, 2024 and 2023, the Library estimates that it has received the following non-financial assets:

	2024	2023
Friends of the Library Annual in-kind donations	\$ 1,800	\$ 1,800

Friends of the Library annual in-kind donations are BookPage subscriptions used to assist with program services held by the Library. The building donation was received to lower the cost of a building purchase to increase the Library's program and community meeting needs. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The estimated value of other donated services and use of facilities has not been determined.

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:

Expense	Method of Allocation
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

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.

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.

At December 31, 2024 and 2023, investments are presented in the financial statements in the aggregate at fair value at:

	2024	2024	2023	2023
	Cost	Fair value	Cost	Fair value
Money market fund	\$ 49,753	\$ 49,753	\$ 37,808	\$ 37,808
Fixed income mutual funds	281,214	258,163	297,843	274,567
Equity securities	347,830	395,372	368,980	392,818
Alternatives	59,395	59,022	-	-
Certificates of deposit	210,489	210,489	510,000	510,000
Noncurrent	<u>\$ 948,681</u>	<u>\$ 972,799</u>	<u>\$ 1,214,631</u>	<u>\$ 1,215,193</u>

4. INVESTMENTS - ENDOWMENT FUNDS

Endowment fund investments at December 31, 2024 and 2023, consists of:

	2024	2023
General endowment – Board designated quasi endowment – local brokerage	\$ 130,731	\$ 108,981

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent 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 Trustees to make an election to annually appropriate for expenditure a selected percentage between 2.00% and 7.00% 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.

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 are intended 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.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023. 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 68% equity funds, 17% fixed income and 5% 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 2024 and 2023, the TFEC annual distribution of \$9,544 and \$9,911, respectively, was withdrawn, transferred, and invested in the endowment at OFA.

Changes in Board designated endowment net assets for the years ended December 31, 2024 and 2023:

	2024	2023
Endowment net assets, beginning of year	\$ 108,981	\$ 77,834
Contributions/reinvested grant funds	9,544	20,061
Investment return:		
Interest and dividend income	2,898	2,266
Net realized and unrealized gains(losses)	10,034	9,339
Investment-related fees	(726)	(519)
Total investment return	12,206	11,086
Endowment net assets, end of year	<u>\$ 130,731</u>	<u>\$ 108,981</u>

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

5. PERPETUAL INTEREST IN ASSETS HELD BY OTHERS

Perpetual interest in assets held by others at December 31, 2024 and 2023 consists of:

	2024	2023
Book fund endowment – donor restricted – local foundation	\$ 28,392	\$ 25,736
General endowment – restricted quasi endowment – local foundation	367,326	333,053
	<u>\$ 395,718</u>	<u>\$ 358,789</u>

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 2024 and 2023, the Library's Board of Trustees elected to have the annual distribution reinvested in the fund principal.

Changes in book fund-donor-restricted net assets for the years ended December 31, 2024 and 2023:

	2024	2023
Net assets, beginning of year	\$ 25,736	\$ 23,081
Contributions/reinvested grant funds		
Investment return:		
Interest and dividend income	558	505
Net realized and unrealized gains (losses)	3,384	3,330
Investment related fees	(555)	(492)
	<u>3387</u>	<u>3,343</u>
Appropriation of fund assets for expenditure	<u>(731)</u>	<u>(688)</u>
Net assets, end of year	<u>\$ 28,392</u>	<u>\$ 25,736</u>

General TFEC Fund – Restricted

Funds are invested in trust at a local community foundation (TFEC) for the purpose of establishing the

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

“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 2024 and 2023, the TFEC annual distributions of \$9,544 and \$9,911 respectively, was withdrawn, transferred and invested in the new Endowment at OFA reported as investments - endowment fund in Note 4.

Changes in general fund restricted net assets for the years ended December 31, 2024 and 2023:

	2024	2023
Net Assets, Beginning of Year	\$ 333,053	\$ 299,666
Investment Return :		
Interest and Dividend Income	7,223	6,536
Net Realized and Unrealized Gains (Losses)	43,782	43,134
Investment-Related Fees	(7,188)	(6,372)
Total Investment Return (Loss)	43,817	43,928
Appropriation of Fund Assets for Expenditure	(9,544)	(9,911)
Net Assets, End of Year	\$ 367,326	\$ 333,053

6. NET ASSETS WITH DONOR RESTRICTIONS

Permanently restricted net assets at December 31, 2024 and 2023, consists of two separate endowment funds and a capital campaign 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 2024 and 2023, 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.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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 2024 and 2023, 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.

In 2022, the Library began a capital campaign for a newly acquired building. The monies raised are to be used in the building renovations to update the building for library programs and community meeting space.). Income received from this campaign is released from restriction by the incurrence of building renovations and other eligible capital campaign costs. During the year ended December 31, 2024, the Library raised \$454,787 which was used for the renovation completion. During the year ended December 31, 2023, the Library raised \$514,226 and received \$317,679 from grants, which was utilized in the acquisition of the building and pay off of the \$220k real estate note payable (Note 11). During the year ended December 31, 2024, \$54,383 of expenses were incurred and the building was placed in service and capitalized in the amount of \$ \$1,159,369. During the year ended December 31, 2023, \$19,298 of expenses were incurred and \$36,141 of construction in progress costs were capitalized.

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 main Library building.

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 during year ending December 31, 2024 or 2023 respectively.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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

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, 2024.

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, 2024.

	Total	Level 1	Level 2	Level 3
Money market fund	\$ 49,753	\$ 49,753	\$ -	\$ -
Fixed Income Mutual Funds	258,163	258,163	-	-
Equity Securities	395,372	395,372	-	-
Certificates of Deposit	210,489	210,489	-	-
Alternatives	59,023	59,023	-	-
Perpetual Interest in Assets Held by Others	395,717	-	-	395,717
Endowment Funds	130,731	130,731	-	-
	<u>\$ 1,499,248</u>	<u>\$ 1,103,531</u>	<u>\$ -</u>	<u>\$ 395,717</u>

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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, 2023.

	Total	Level 1	Level 2	Level 3
Money market fund	\$ 37,808	\$ 37,808	\$ -	\$ -
Fixed Income Mutual Funds	274,567	274,657	-	-
Equity Securities	392,818	392,818	-	-
Certificates of Deposit	510,000	510,000	-	-
Perpetual Interest in Assets				
Held by Others	358,789	-	-	358,789
Endowment Funds	108,981	108,981	-	-
	<u>\$ 1,682,963</u>	<u>\$ 1,324,174</u>	<u>\$ -</u>	<u>\$ 358,789</u>

The activity recognized during the year ended December 31, 2024, for Level 3 financial instruments is as follows:

Perpetual Interest in Assets Held by Others

Balance, January 1, 2024	\$ 358,789
Investment Income - Net	10,314
Unrealized Gain	44,632
Administrative Fees	(7,743)
Distributions	(10,275)
Perpetual Interest in Assets Held by Others at December 31, 2024	<u>\$ 395,717</u>

The activity recognized during the year ended December 31, 2023, for Level 3 financial instruments is as follows: Perpetual Interest in Assets Held by Others

Balance, January 1, 2023	\$ 322,747
Investment Income - Net	7,566
Unrealized gain	45,939
Administrative Fees	(6,864)
Distributions	(10,599)
Perpetual Interest in Assets Held by Others at December 31, 2023	<u>\$ 358,789</u>

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.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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.

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 years ended December 31, 2024 and 2023, there were no significant transfers in or out of levels 1, 2, or 3.

9. PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The Library's property and equipment and accumulated depreciation at December 31, 2024, consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 477,409	\$ -	\$ 477,409
Buildings	1,842,315	323,564	1,518,751
Improvements – Land and Buildings	2,815,727	2,151,051	664,676
Furniture and Equipment	537,895	476,075	61,820
	<u>\$ 5,673,346</u>	<u>\$ 2,950,690</u>	<u>\$ 2,722,656</u>

The Library's property and equipment and accumulated depreciation at December 31, 2023, consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 477,409	\$ -	\$ 477,409
Construction in Progress	36,141	-	36,141
Buildings	682,946	303,591	379,355
Improvements – Land and Buildings	2,779,586	2,050,737	728,849
Furniture and Equipment	484,738	468,590	16,148
	<u>\$ 4,460,820</u>	<u>\$ 2,822,918</u>	<u>\$ 1,637,902</u>

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

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, 2024. Collection disposals for 2024 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.

11. NOTES PAYABLE

A summary of the underlying obligations included in long-term debt is included below.

	<u>2024</u>	<u>2023</u>
Note Payable original principal of \$150,000 to a financial institution for purchase of real estate, due in monthly installments of \$1,197 including interest at 3.75% through June 2027, at which point monthly installments are \$1,233 including interest at the prime rate plus a margin of .50% through May 2032, at which point all remaining principal and interest are due. The note is secured by all income, proceeds and the asset financed.	<u>\$ 126,334</u>	<u>\$ 135,679</u>
	<u>126,334</u>	<u>135,679</u>
Current Maturities	9,719	9,436
Long-Term Portion	<u>116,615</u>	<u>126,243</u>
	<u>\$ 126,334</u>	<u>\$ 135,679</u>

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

Annual maturities of long-term debt are as follows :

2025	\$	9,719
2026		10,095
2027		10,486
2028		10,881
2029		11,356
Thereafter		<u>73,797</u>
	\$	<u>126,334</u>

12. CONCENTRATIONS

Joseph T. Simpson Public Library received approximately 37% and 40% of its total operating support and revenue from the Commonwealth of Pennsylvania and Cumberland County for the years ended December 31, 2024 and 2023, respectively. The County aid is allocated to local public libraries primarily from a county-wide Library tax assessment.

13. 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.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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, 2024 and 2023:

	2024	2023
Cash	\$ 665,822	\$ 1,047,071
Investments – noncurrent	972,799	1,215,193
Investments – endowment funds	130,731	108,981
Perpetual interest in assets held by others	395,718	358,789
Total financial assets	2,165,070	2,730,034
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
Endowment funds	(159,123)	(134,717)
Board designated and donor restricted local capital		
Projects fund	(355,374)	(921,032)
Investments, noncurrent operating fund	(972,799)	(1,105,193)
	(1,487,296)	(2,160,942)
Financial assets available to meet general expenses within one year	\$ 677,774	\$ 569,092

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.

15. OPERATING LEASES AS LESSOR

The Library has a three-year agreement to lease commercial real estate to their Friends organization. The lease expired in June 2025 and went month to month after that, with monthly receipts of \$1,200. Under the terms of the lease, the Friends organization is required to pay certain costs, such as maintenance, operation and repair, and utilities.

JOSEPH T. SIMPSON PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

Future minimum lease revenues as of December 31, 2024, are as follows:

2025	\$ 7,200
	<u>\$ 7,200</u>

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 22, 2025, which represents the date the financial statements were available to be issued.



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