

Audited
Financial
Statements

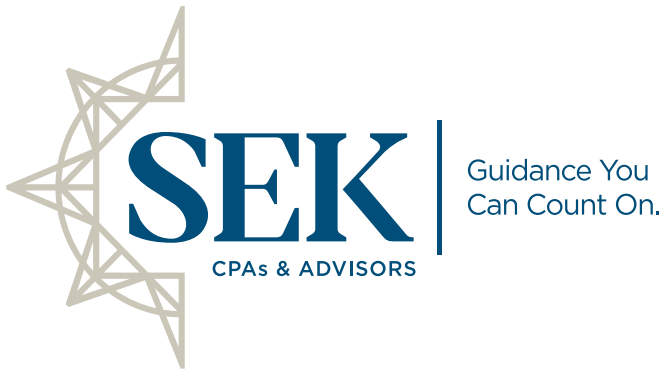
December 31,
2020

ADAMS COUNTY
LIBRARY



CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 27



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adams County Library System, Inc.
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of the Adams County Library System, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 financial position of the Adams County Library System, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amite Elliott Hearn & Company, LLC

Hanover, Pennsylvania
July 15, 2021

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 661,462	\$ 192,329
Accounts/fines receivable, net of allowance for doubtful account of \$106,296 and \$123,897, respectively	37,460	49,393
Other receivables	760	20,519
Promises to give		
Contributions and bequests	327,066	189,967
Leases	426,809	449,050
Prepaid expenses	48,808	45,532
Property and equipment, net of accumulated depreciation	3,971,263	1,898,058
Long-term investments	4,224,807	3,105,256
Perpetual trusts held by third-parties	2,655,229	2,577,863
Interest in net assets of community foundation	71,612	65,240
	<u>12,425,276</u>	<u>8,593,207</u>
TOTAL ASSETS	\$ 12,425,276	\$ 8,593,207
LIABILITIES AND NET ASSETS		
Liabilities		
Lines of credit	\$ -	\$ 162,000
Accounts payable	17,836	18,101
Accrued payroll and vacation	71,813	68,118
Accrued expenses	2,612	1,312
Deferred revenue	287,471	20,439
Long-term debt	941,467	-
Total Liabilities	<u>1,321,199</u>	<u>269,970</u>
Net Assets		
Without donor restrictions		
Undesignated	6,427,065	4,438,586
Board designated		
Outreach	106,319	96,722
Littlestown Library	54,109	-
Total board designated	<u>160,428</u>	<u>96,722</u>
Total without donor restrictions	6,587,493	4,535,308
With donor restrictions		
Time-restriction for future periods	753,875	538,050
Purpose restrictions	374,905	143,225
Perpetual in nature restrictions	3,387,804	3,106,654
Total with donor restrictions	<u>4,516,584</u>	<u>3,787,929</u>
Total Net Assets	<u>11,104,077</u>	<u>8,323,237</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 12,425,276	\$ 8,593,207

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 670,652	\$ 292,385	\$ 963,037
Local government support	1,049,191	-	1,049,191
State government support	618,389	-	618,389
Fees, fines, and miscellaneous income	3,455	-	3,455
Fundraising	3,980	-	3,980
PPP Loan and FFCRA Act funding (Note 14)	322,376	-	322,376
Interest income	669	-	669
Net investment return	295,135	39,267	334,402
Income from perpetual trusts held by third parties	71,072	-	71,072
Change in value of perpetual trusts held by third parties	-	77,366	77,366
Change in interest in net assets of			
Community Foundation	9,057	-	9,057
Net assets released from restrictions	<u>96,509</u>	<u>(96,509)</u>	<u>-</u>
Total Support and Revenue	3,140,485	312,509	3,452,994
OPERATING EXPENSES			
Program services	2,141,551	-	2,141,551
Supporting services			
General and administration	411,794	-	411,794
Fundraising	<u>88,930</u>	<u>-</u>	<u>88,930</u>
Total Supporting Services	<u>500,724</u>	<u>-</u>	<u>500,724</u>
Total Operating Expenses	<u>2,642,275</u>	<u>-</u>	<u>2,642,275</u>
Support and Revenues in Excess of Operating Expenses	498,210	312,509	810,719
Net assets acquired from East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin	<u>1,553,975</u>	<u>416,146</u>	<u>1,970,121</u>
Change in net assets	2,052,185	728,655	2,780,840
NET ASSETS AT BEGINNING OF YEAR	<u>4,535,308</u>	<u>3,787,929</u>	<u>8,323,237</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,587,493</u>	<u>\$ 4,516,584</u>	<u>\$ 11,104,077</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 477,902	\$ 139,730	\$ 617,632
Local government support	1,079,991	-	1,079,991
State government support	567,353	-	567,353
Fees, fines, and miscellaneous income	32,796	-	32,796
Fundraising	16,366	-	16,366
Interest income	646	-	646
Net investment return	442,750	75,816	518,566
Income from perpetual trusts held by third parties	87,778	-	87,778
Change in value of perpetual trusts held by third parties	-	262,870	262,870
Change in interest in net assets of			
Community Foundation	10,296	-	10,296
Net assets released from restrictions	<u>79,734</u>	<u>(79,734)</u>	<u>-</u>
Total Support and Revenue	2,795,612	398,682	3,194,294
OPERATING EXPENSES			
Program services	3,160,346	-	3,160,346
Supporting services			
General and administration	354,235	-	354,235
Fundraising	<u>110,244</u>	<u>-</u>	<u>110,244</u>
Total Supporting Services	<u>464,479</u>	<u>-</u>	<u>464,479</u>
 Total Operating Expenses	 <u>3,624,825</u>	 <u>-</u>	 <u>3,624,825</u>
 Change in net assets	 (829,213)	 398,682	 (430,531)
 NET ASSETS AT BEGINNING OF YEAR	 <u>5,364,521</u>	 <u>3,389,247</u>	 <u>8,753,768</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 4,535,308</u>	 <u>\$ 3,787,929</u>	 <u>\$ 8,323,237</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Supporting Services		Totals
		General and Administration	Fundraising	
Employee Related Expenses				
Salaries and wages	\$ 884,299	\$ 264,949	\$ 58,608	\$ 1,207,856
Employee benefits and payroll taxes	242,125	70,041	15,494	327,660
Travel and conferences	1,443	432	96	1,971
Other employee expenses	846	253	56	1,155
	<u>1,128,713</u>	<u>335,675</u>	<u>74,254</u>	<u>1,538,642</u>
Expenses Directly Allocated				
Circulation expense	227,107	-	-	227,107
Depreciation - collection	249,652	-	-	249,652
Advertising	4,860	-	1,620	6,480
ACCESS PA Conversion	885	-	-	885
Fundraising expense	-	-	10,121	10,121
Memorials and named endowments program materials	19,029	-	-	19,029
Professional fees	-	24,082	-	24,082
Programming	15,255	-	-	15,255
Rental expense - facilities	79,200	-	-	79,200
Vehicle expense	2,057	-	-	2,057
Support contracts	13,633	-	-	13,633
Grant expenses	17,708	-	-	17,708
Interest expense	-	686	-	686
Loss on disposal of property and equipment	1,923	-	-	1,923
	<u>631,309</u>	<u>24,768</u>	<u>11,741</u>	<u>667,818</u>
Occupancy Expenses				
Depreciation - building and equipment	63,569	8,503	469	72,541
Equipment and service contracts	29,778	3,983	221	33,982
Dues and meetings	1,908	573	127	2,608
Insurance	12,854	1,719	95	14,668
Miscellaneous expenses	12,568	1,681	93	14,342
Postage and shipping	4,159	557	31	4,747
Rental expense - parking	6,046	809	45	6,900
Repairs and maintenance	61,543	8,230	456	70,229
Supplies	9,510	1,272	70	10,852
Telephone and internet expenses	144,800	19,369	1,071	165,240
Utilities	34,794	4,655	257	39,706
	<u>381,529</u>	<u>51,351</u>	<u>2,935</u>	<u>435,815</u>
Total Functional Expenses	<u>\$ 2,141,551</u>	<u>\$ 411,794</u>	<u>\$ 88,930</u>	<u>\$ 2,642,275</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Supporting Services		Totals
		General and Administration	Fundraising	
Employee Related Expenses				
Salaries and wages	\$ 897,907	\$ 208,093	\$ 58,667	\$ 1,164,667
Employee benefits and payroll taxes	279,964	61,726	17,401	359,091
Travel and conferences	4,887	1,133	319	6,339
Other employee expenses	4,114	953	269	5,336
	<u>1,186,872</u>	<u>271,905</u>	<u>76,656</u>	<u>1,535,433</u>
Expenses Directly Allocated				
Circulation expense	291,871	-	-	291,871
Depreciation - collection	1,137,933	-	-	1,137,933
Advertising	5,389	-	1,796	7,185
ACCESS PA Conversion	885	-	-	885
Fundraising expense	-	-	29,373	29,373
Memorials and named endowments program materials	20,163	-	-	20,163
Professional fees	-	30,144	-	30,144
Programming	51,557	-	-	51,557
Rental expense - facilities	73,950	-	-	73,950
Vehicle expense	5,158	-	-	5,158
Support contracts	18,255	-	-	18,255
Grant expenses	15,188	-	-	15,188
Interest expense	-	4,418	-	4,418
Uncollectible promises to give	25,826	-	-	25,826
Loss on disposal of property and equipment	588	-	-	588
	<u>1,646,763</u>	<u>34,562</u>	<u>31,169</u>	<u>1,712,494</u>
Occupancy Expenses				
Depreciation - building and equipment	66,398	8,881	490	75,769
Equipment and service contracts	55,285	7,395	410	63,090
Dues and meetings	3,582	4,549	27	8,158
Insurance	11,264	1,507	83	12,854
Miscellaneous expenses	8,600	1,150	64	9,814
Postage and shipping	4,952	662	37	5,651
Rental expense - parking	6,046	809	45	6,900
Repairs and maintenance	61,676	8,248	458	70,382
Supplies	8,110	1,084	61	9,255
Telephone and internet expenses	62,413	8,349	462	71,224
Utilities	35,992	4,814	265	41,071
Taxes and penalties	2,393	320	17	2,730
	<u>326,711</u>	<u>47,768</u>	<u>2,419</u>	<u>376,898</u>
Total Functional Expenses	<u>\$ 3,160,346</u>	<u>\$ 354,235</u>	<u>\$ 110,244</u>	<u>\$ 3,624,825</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Cash Flows
Year Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,780,840	\$ (430,531)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	322,193	1,213,702
Loss on disposal of property and equipment	1,923	588
Net realized and unrealized (gain) on investments	(270,700)	(472,521)
Change in value of perpetual trusts held by third parties	(77,366)	(262,870)
Change in interest in net assets of Community Foundations	(6,372)	(7,621)
Net assets acquired, less cash and cash equivalents acquired of \$91,952	(1,878,169)	-
(Increase) decrease in assets:		
Accounts/fines receivables	15,767	6,857
Promises to give	(114,208)	(119,747)
Other receivables	19,759	35,801
Prepaid expenses	2,206	(11,903)
Increase (decrease) in liabilities:		
Accounts payable	(3,610)	(55,464)
Accrued payroll and vacation	2,214	(29,476)
Accrued expenses	1,300	1,147
Deferred revenue	267,032	6,664
Net Cash Provided (Used) By Operating Activities	<u>1,062,809</u>	<u>(125,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(10,447)	(113,519)
Purchases of investments	(473,019)	(116,207)
Sales of investments	51,790	327,849
Net Cash Provided (Used) By Investing Activities	<u>(431,676)</u>	<u>98,123</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in lines of credit	(162,000)	12,000
Net Cash Provided (Used) By Financing Activities	<u>(162,000)</u>	<u>12,000</u>
Net Increase (Decrease) In Cash and Cash Equivalents	469,133	(15,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>192,329</u>	<u>207,580</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 661,462</u>	<u>\$ 192,329</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 686</u>	<u>\$ 4,418</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Net assets acquired, less cash and cash equivalents acquired of \$91,952	<u>\$ 1,878,169</u>	<u>\$ -</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Adams County Library System, Inc. (the Library) was incorporated in 1945 in the state of Pennsylvania as an independent library serving the citizens of Adams County. It operates a main library in Gettysburg, Pennsylvania with branches in New Oxford, Biglerville, Carroll Valley, and Littlestown, Pennsylvania. The Library also operates an outreach department that services the local area. The Library also served as a support library, distributing supporting revenues and assisting with collection purchasing for the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin through December 31, 2020.

On December 31, 2020 the Adams County Library System, Inc. acquired the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin (East Berlin Library) through agreements signed by both Organization's Boards of Trustees. The Library acquired operating control and the net assets of the East Berlin branch as follows, which are reported in the statement of financial position and statement of activities as of and for the year ended December 31, 2020.

Cash and cash equivalents	\$	91,952
Accounts/fines receivable and other receivables		3,834
Promises to give - contributions		650
Prepaid expenses		5,482
Property and equipment, net of accumulated depreciation		2,386,874
Long-term investments		427,622
Accounts payable		(3,345)
Accrued payroll and vacation		(1,481)
Long-term debt		<u>(941,467)</u>
Net assets acquired from East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin on December 31, 2020	\$	<u>1,970,121</u>

The Library is supported primarily through local and state government support, contributions and investment income. Without this public support, the Library's ability to carry out its program services would be significantly reduced.

Basis of Accounting

The Library's records are maintained and these statements are presented on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Under this basis, revenue is recognized in the period earned and expenses in the period incurred.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Library, the accounts are reported in accordance with the principles of accounting for not-for-profits. Accordingly, the Library is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net assets of the Library and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including those that are Board designated.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Library and/or the passage of time or are to be maintained permanently by the Library.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Library considers all unrestricted, highly liquid investments outside of brokerage/investment accounts with an initial maturity of three months or less, as well as certificates of deposit that have minimal penalties for early withdrawal, to be cash equivalents.

Accounts/Fines Receivable

The Library's management periodically evaluates the collectability of outstanding accounts/fines receivable and establishes an allowance for doubtful accounts. The allowances are determined based upon factors surrounding the credit risk and historical trends and are adjusted by a charge to bad debt expense. Amounts determined to be uncollectible are charged against the allowance in the year that the determination is made.

Promises to Give/Contributions and Gifts

Contributions and gifts are recognized when the donor makes a promise to give to the Library that is, in substance, unconditional. Contributions and gifts that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and gifts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on these amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Library considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the promises to give will be charged to income when that determination is made by management. Unpaid balances remaining after the stated promised terms are considered past due. Recoveries of previously charged-off promises to give are recorded when received.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets and Services

Donated assets and services are reported in the accompanying financial statements at their fair market value as of the date of contribution. The value of donated assets and services meeting the requirements for recognition in the financial statements under GAAP was not significant in 2020 and 2019 and are not reflected in the statements of activities. In addition, a substantial number of volunteers have donated significant amounts of their time to the Library's activities.

During the years ended December 31, 2020 and 2019, the Library received approximately \$3,000 and \$30,000, respectively, in donated discounts and free tickets to events and restaurants that were handed out to patrons and program participants. This transaction is considered an agency transaction. Therefore, the value of the donated items is not reflected in the accompanying financial statements.

Functional Expense Classification

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification and detail of expenses by function. Accordingly, the financial statements report expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee related expenses which are allocated based on the basis of estimated time and effort and occupancy expenses that are allocated on a square-footage basis. All other expenses are directly allocated.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost, or if donated, at fair market value at the date of donation. Expenditures for maintenance and repairs not described above are charged to expense as incurred. When depreciable assets are retired or otherwise disposed of, the costs and accumulated depreciation are removed from the accounts, with any gain or loss included in the statements of activities in the period of disposal.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Building and Improvements	25 - 48
Furniture and Fixtures	10
Computer Equipment	3
Books and Other Materials	3
Bookmobile and Van	7

Effective January 1, 2019, the estimated useful lives of books and other materials was decreased from 10 to 3 years as a result of a change in accounting estimate. This change resulted in additional depreciation expense in 2019 of approximately \$792,000.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

On December 31, 2020, the estimated useful lives of books and other materials acquired from the East Berlin Library were also decreased to 3 years as a result of the change in accounting estimate. This change resulted in additional depreciation expense in 2020 of approximately \$159,500.

Investments

The Library carries investments at fair value in the statements of financial position. Realized and unrealized gains and losses are recorded along with dividends, interest, and other investment income in the accompanying statements of activities and charged to net assets without donor restrictions unless the donor stipulates otherwise.

Investments of the Library are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

In addition, recent economic uncertainty and market events as a result of the COVID-19 pandemic and other market forces have led to unprecedented volatility in currency, commodity, credit and equity markets. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the long-term investments and perpetual trust assets reported in the financial statements.

Beneficial Interest in Perpetual Trusts

Gifts received under the terms of trust or other agreements in which the Library has beneficial interest are accounted for as perpetual trusts held by third parties. The time period covered by these agreements is expressed either as a specific number of years or in perpetuity.

Under such arrangements, the assets are invested and administered by the Library, a Trustee, or a fiscal agent and distributions are made to a beneficiary during the term of the agreement. At the end of the agreement's term, the remaining assets covered by the agreement are distributed to or retained by either the Library or another beneficiary.

In the absence of donor-imposed conditions, the Library recognizes contribution revenue and related assets and liabilities when irrevocable perpetual trust agreements naming the Library as Trustee or fiscal agent are executed or, when the Library is notified of the agreement's existence, in cases where an unrelated third party (such as a bank) acts as Trustee.

Contribution revenues recognized under perpetual trust agreements are classified as increases in net assets without donor restrictions or net assets with donor restrictions based on the donor's instructions in the underlying agreement. During the term of the agreement, changes in the value of perpetual trust agreements are recognized in the statements of activities as "change in value of perpetual trusts held by third parties" and classified as net assets without donor restrictions or net assets with donor restrictions based upon the classification when the contribution was initially recognized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Perpetual Trusts (Continued)

Upon termination of the agreement, asset and liability accounts related to the perpetual trust agreements are closed and any remaining amounts are recognized as changes in the value of perpetual trust agreements and classified in the appropriate net asset category.

Interest in Net Assets of a Community Foundation

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation and further described in Note 6.

Measure of Operations

For the year ended December 31, 2020, the Library's Support and Revenues in Excess of Operating Expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities to support operating expenditures. The measure of operations excludes net assets acquired on December 31, 2020 from acquisition of the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin.

Concentration of Credit Risk

The Library maintains its cash balances in financial institutions located in Pennsylvania. Cash deposits may exceed the federally insured limits at various times throughout the year. Management does not believe that there is a significant risk of loss as a result of these excess deposits.

Advertising

The Library charges advertising costs to expense as incurred. Advertising expense was \$6,480 and \$7,185 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

No provision is made for income taxes because the Library is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The Library is not deemed to be a private foundation by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Library and recognize the tax liability if the Library has taken uncertain positions that more likely than not would not be sustained upon examination by the government authority. The Library is subject to routine audits by taxing jurisdictions, generally for a period of three years after the returns are filed; however, there are currently no audits for any tax periods in progress.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 2 PROMISES TO GIVE

Leases

The Library leases the New Oxford Area Library branch premises from the Borough of New Oxford. The lease is for fifty years, effective in 1994, with annual payments of \$1. The fair market value of the annual rent has been determined to be \$9,600. The remaining net present value of the contributed use of the premises under a fifty year lease is \$102,295 and \$103,651 at December 31, 2020 and 2019, respectively, and is included in the accompanying statement of financial position as a promise to give. The annual rental expense value of \$9,600 and the amortization of the discount at 8% have been included in the statements of activities.

The Library leases the Biglerville branch premises from the Harbaugh/ Thomas Foundation. The lease is for twenty-five years, effective 2007, with annual payments of \$1. The fair value of the annual rent has been determined to be \$36,000. The net present fair value of the contributed use of the premises under a twenty-five year lease is \$324,514 and \$345,399 at December 31, 2020 and 2019, respectively, and is included in the accompanying statements of financial position as a promise to give. The annual rental expense value of \$36,000 and the amortization of the discount at 4.5% have been included in the statements of activities.

Future reductions in promises to give-leases are as follows as of December 31:

2020			
Years	New Oxford	Biglerville	Total
Received in less than one year	\$ 1,470	\$ 21,844	\$ 23,314
Received in one to five years	9,393	125,225	134,618
Received in more than five years	91,432	177,445	268,877
Total	<u>\$ 102,295</u>	<u>\$ 324,514</u>	<u>\$ 426,809</u>

2019			
Years	New Oxford	Biglerville	Total
Received in less than one year	\$ 1,357	\$ 20,884	\$ 22,241
Received in one to five years	8,673	119,725	128,398
Received in more than five years	93,621	204,790	298,411
Total	<u>\$ 103,651</u>	<u>\$ 345,399</u>	<u>\$ 449,050</u>

Contributions

The Library received promises to give in 2020 and 2019 totaling \$327,066 and \$189,967, respectively. Unconditional promises to give consisted of the following as of December 31:

	2020	2019
Less than one year	\$ 327,066	\$ 145,467
One year to five years	-	44,500
Total promises to give	<u>\$ 327,066</u>	<u>\$ 189,967</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation consist of the following at December 31:

	2020	2019
Land, buildings and improvements	\$ 4,663,406	\$ 2,234,646
Furniture, fixtures and computers	1,148,994	832,709
Books and other materials	-	270,467
Statue	1,230,453	1,230,453
Bookmobile and van	36,589	36,589
	<u>7,079,442</u>	<u>4,604,864</u>
Less accumulated depreciation	<u>(3,108,179)</u>	<u>(2,706,806)</u>
Net property and equipment	<u>\$ 3,971,263</u>	<u>\$ 1,898,058</u>

Depreciation expense amounted to \$322,193 and \$1,213,702 for 2020 and 2019, respectively.

During 2012 a statue of Abraham Lincoln was given to the Library. The fair market value of the statute on the date given was \$1,230,453. It was placed in front of the Library during 2013. The statue is carried at the fair market value as of the date of the gift and is not depreciated due to the extraordinarily long useful life of the historical treasure.

Included in the above costs is \$219,331 and related accumulated depreciation of \$44,146 as of December 31, 2020, related to the Library's two rental properties, acquired during the acquisition of the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin further disclosed in Notes 1 and 15. No related depreciation expense was incurred for the year ended December 31, 2020.

NOTE 4 INVESTMENTS

The Library maintains investment accounts at ACNB Bank and PNC Bank and holds 52 shares of Penn Products Corporate Stock. The accounts are comprised of Library assets that the Board of Trustees and/or donors have set aside for long-term viability of the Library. Bequests and other significant contributions are added to the investment accounts at the discretion of the Board and/or donors, annually. Fair values are determined based on quoted market prices.

Net investment return reported in the statements of activities has been reduced by investment expenses of \$18,589 and \$18,881 for the years ended December 31, 2020 and 2019, respectively.

The investment accounts are invested consistent with investment policies that are monitored by the board of trustees. The investment policies employed are meant to achieve long-term growth while providing modest investment income which would be available for current funding assuming low-to-moderate investment risk. Funds are primarily invested in mutual funds or similar investments.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 4 INVESTMENTS (CONTINUED)

Investments were comprised of the following at December 31:

	2020		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash equivalents	\$ 380,220	\$ 380,220	\$ -
Fixed income mutual funds	1,208,408	1,237,462	29,054
Equity mutual funds and exchange traded funds	2,118,394	2,604,525	486,131
Corporate stock	4,680	2,600	(2,080)
	<u>\$ 3,711,702</u>	<u>\$ 4,224,807</u>	<u>\$ 513,105</u>

	2019		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash equivalents	\$ 143,137	\$ 143,137	\$ -
Fixed income mutual funds	907,053	908,110	1,057
Equity mutual funds and exchange traded funds	1,798,144	2,051,409	253,265
Corporate stock	4,680	2,600	(2,080)
	<u>\$ 2,853,014</u>	<u>\$ 3,105,256</u>	<u>\$ 252,242</u>

NOTE 5 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Library is a beneficiary of several perpetual trusts which are administered by third-party trustees. Under the terms of the trust agreements, the Library has the irrevocable right to receive its beneficial portion of income earned on the trust assets in perpetuity, but it will never receive the assets held in trust. The Library's proportionate share of income from third-party trusts range from 7.5% to 100%. The underlying trust agreements place no restrictions on the use of the income.

The Library has recorded its beneficial interest in the trusts as net assets with donor restrictions that are perpetual in nature. Distributions from the Trusts are reported as without donor restrictions and the change in the Library's proportionate share of the fair value of the trusts' assets is recognized as with donor restrictions recognizing the gains or losses and are reported as change in value of perpetual trusts held by third parties on the statements of activities. The fair value of the Library's beneficial interest in the trust assets was \$2,655,229 and \$2,577,863 at December 31, 2020 and 2019, respectively.

Income from the perpetual trusts for the years ended December 31, 2020 and 2019 was \$71,072 and \$87,778, respectively and is reflected as income from perpetual trusts held by third parties in the statements of activities.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 6 INTEREST IN NET ASSETS OF A COMMUNITY FOUNDATION

In 2010 the Library created, and is the beneficiary of, an Agency Endowment Fund with the Adams County Community Foundation. The Foundation maintains variance power over distributions from the funds, based upon the Foundation's spending policy. The Foundation considers the investment return for the past year and recommends a spending policy annually with a stated fixed amount, which was \$2,685 and \$2,675 for the years ended December 31, 2020 and 2019, respectively. There were no contributions to the fund for the years ended December 31, 2020 and 2019. The fund is considered a without donor restriction asset because the Library funded the Agency Endowment and is considered the beneficiary of the Fund. The fair value of the Endowment was \$71,612 and \$65,240 as of December 31, 2020 and 2019, respectively.

During 2020, the Library became a beneficiary of a donor contributed endowment fund at the Adams County Community Foundation (Foundation). The Foundation maintains variance power over distributions from the fund. As beneficiary, the Library is entitled to annual distributions from the fund, based upon the Foundation's spending policy.

In accordance with generally accepted accounting principles, the designated endowment fund created by contributors to a Foundation is not an asset of the Library and is not reflected in the statements of financial position. As of December 31, 2020, the balance of the designated fund amounted to \$10,033.

NOTE 7 ENDOWMENTS

The Library's endowments consist of (1) a donor-restricted named endowment fund, (2) the Musselman Foundation endowment fund (3) a general endowment designated by the trustees of the Library and (4) an East Berlin Library donor-restricted named endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the trustees of the Library, are classified and reported as net assets without or with donor restrictions based on the existence or absence of donor-imposed restrictions. The classification is based on the Trustee's interpretation of Pennsylvania's statutes that govern such endowments and its interpretations of donor intent and related endowment bylaws.

The Library considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Organization, the purpose of any donor restrictions, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

Named Endowment Fund

The Library provides an opportunity to donors to contribute a minimum of \$5,000, reduced to \$1,000 in August 2020, to be given in an individual's name. The initial contribution and any additional contributions to the Named Endowment Fund are donor restricted and perpetual in nature.

NOTE 7 ENDOWMENTS (CONTINUED)

Named Endowment Fund (continued)

The net appreciation from the endowment will be used to provide educational library programs (including materials) and any unspent earnings will be accounted for as net assets with donor restrictions for this specified purpose. From time to time, the named endowment donor-restricted endowment fund may have fair values less than the amount required to be maintained by donors or by law. At December 31, 2020 and 2019, funds with original giving values of \$526,110 and \$518,791, fair values of \$601,737 and \$556,097, and surplus of \$75,627 and \$37,306, respectively were reported in net assets with donor restrictions.

The investment policy for the Named Endowment is to generate a reasonable level of income and experience long-term growth assuming low-to-moderate level of investment risk with PNC Bank. Investment policy sets investment ranges at 50% - 80% equities, 20% - 50% fixed income and 0% - 10% cash equivalents.

Musselman Foundation Endowment

In 1979 the Musselman Foundation established an endowment with an initial contribution of \$50,000. Per donor stipulations the Library is to receive quarterly payments of investment net income that can be used per the Board's determination (without donor restriction). The donor further stipulated that the initial contribution can be spent with a two-third's vote from the board. If such a decision is made by the board, the portion of principal being spent can be used for the bookmobile, books, and additions/improvements to the library. Based on this stipulation, the initial principal contribution is reported as net assets with donor restrictions subject to expenditure for specified purpose.

The investment policy for the Musselman Foundation Endowment is to generate a reasonable level of income and experience long-term growth assuming low-to-moderate level of investment risk with PNC Bank. Investment policy sets investment ranges at 50% - 80% equities, 20% - 50% fixed income and 0% - 10% cash equivalents.

General Endowment

In 1972 the Library board established an endowment that is held at ACNB to hold large contributions from estates and gifts the board has elected to maintain long term. While the endowment can hold donor restricted contributions, no such donor requests have been made to date. Consequently, net assets associated with the general endowment funds are classified as net assets without donor restrictions.

The investment policy for the general endowment is to generate a reasonable level of income and experience long-term growth assuming low-to-moderate level of investment risk with ACNB Bank. Investment policy sets investment ranges at 50% - 80% equities, 20% - 50% fixed income and 0% - 10% cash equivalents.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 7 ENDOWMENTS (CONTINUED)

East Berlin Named Endowment Fund

The Library acquired these endowment funds on December 31, 2020 when it acquired the East Berlin Library. The Library refers to its endowment fund as East Berlin Named Endowments. The Library provides an opportunity to donors to contribute a minimum of \$ 1,000 to be given in an individual's name. The initial contribution and any additional contributions to the named endowments are permanently restricted and live in perpetuity unless stipulated otherwise by the donor. There are five different types of named endowment funds that are defined by their spendable purpose which are book endowment, program/author visit endowment, operating endowment, building fund endowment and scholarship endowment.

Each year the total return on the investments is calculated to determine the spendable portion of each endowment type. Effective January 1, 2020, the Library updated the funding policy to follow Pennsylvania Act 141 in regard to endowment funds with permanent donor restrictions. Act 141 allows nonprofit organization to elect a spending fund withdrawal rate based on a total return policy of 2 – 7% of the average fair value of the endowment assets over the period of three or more years or the actual investment income of the fund. The Library has elected to utilize a three year average. The purpose portion of the endowment investments is spendable based on the type of named endowment specified by the donor upon inception of their named endowment.

The investment policy for the named endowments has the primary goal to provide growth and, when needed, income from investments to assist in meeting financial needs. The investment objective is the growth of principal without incurring excess risk. The policy states a balanced profile should be maintained with 55 – 75% equity, 25% - 45% fixed income and 0% - 10% cash equivalents.

The changes in endowment net assets were as follows for the years ended December 31:

	2020			
	Named Endowment Fund	Musselman Foundation Endowment	General Endowment	East Berlin Named Endowment
Endowment net assets, beginning of year	\$ 556,097	\$ 115,157	\$ 540,717	\$ -
Contributions/Acquisition	7,319	-	-	248,393
Investment income, net of fees	17,278	3,607	5,612	-
Realized and unrealized appreciation of investments	38,491	7,616	46,218	-
Funding provided for organization use	(17,448)	(1,267)	-	-
Endowment net assets, end of year	<u>\$ 601,737</u>	<u>\$ 125,113</u>	<u>\$ 592,547</u>	<u>\$ 248,393</u>
Investments are restricted as follows:				
Without donor restrictions	\$ -	\$ 75,113	\$ 592,547	\$ -
With donor restrictions - purpose restrictions	75,627	50,000	-	51,928
With donor restrictions - perpetual in nature	526,110	-	-	196,465
	<u>\$ 601,737</u>	<u>\$ 125,113</u>	<u>\$ 592,547</u>	<u>\$ 248,393</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 7 ENDOWMENTS (CONTINUED)

	2019		
	Named Endowment Fund	Musselman Foundation Endowment	General Endowment
Endowment net assets, beginning of year	\$ 438,636	\$ 99,342	\$ 483,500
Contributions	27,546	-	-
Investment income, net of fees	12,786	2,866	3,454
Realized and unrealized appreciation of investments	77,439	18,012	79,061
Funding provided for organization use	(17,448)	(5,063)	(25,298)
Net asset reclassification	17,138	-	-
Endowment net assets, end of year	<u>\$ 556,097</u>	<u>\$ 115,157</u>	<u>\$ 540,717</u>
Investments are restricted as follows:			
Without donor restrictions	\$ -	\$ 65,157	\$ 540,717
With donor restrictions - purpose restrictions	37,306	50,000	-
With donor restrictions - perpetual in nature	518,791	-	-
	<u>\$ 556,097</u>	<u>\$ 115,157</u>	<u>\$ 540,717</u>

NOTE 8 LIQUIDITY AND AVAILABILITY

The Library's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2020
Cash and cash equivalents	\$ 646,076
Accounts/fines receivable, net (less than one year)	7,492
Other receivables	760
Promises to give - contributions and bequests (less than one year) without purpose restriction	45,100
Long-term investments not restricted by donor or trustee restrictions	<u>2,972,285</u>
	<u>\$ 3,671,713</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Cash in the amount of \$15,386 and long-term investments in the amount of \$1,252,522 have been excluded above, because they have been designated by donors for certain purpose restrictions and limitations enacted by the board of trustees. The Library has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Library invest its cash in excess of daily requirements in various short-term investments, including money market accounts. Also, as more fully described in Note 11, the Library has a line of credit with availability of \$300,000 at December 31, 2020, which it could draw upon in the event of an unanticipated liquidity need.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Money market funds: Money markets are valued at stable \$1.00 net asset value which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investments.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds and exchange trade funds held by the Library are open-end mutual funds and exchange trade funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange trade funds held by the Library are deemed to be actively traded.

Interest in net assets of community foundation: Valued at net asset value of the percentage owned of the underlying assets of the fund. The fund is invested in a variety of fixed income and equity mutual funds whereby the investment policies employed are meant to achieve long-term growth while providing modest investment income. There are no unfunded commitments or restrictions.

Perpetual trusts held by third-parties: Valued at net asset value (NAV) of the percentage owned of the underlying assets of the trusts. The trusts are invested in a variety of fixed income (both domestic and international), equity (both domestic and international) and mutual funds whereby the investment policies employed are meant to achieve long-term growth while providing modest investment income. There are no unfunded commitments related to the trusts and the trust assets are to be maintained in perpetuity such that the Library can never invade the principal.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Promises to give: Valued at the initial pledge amount committed by the donor discounted to their present value less any allowance for uncollectible contributions as determined by management based upon management’s analysis of specific promises made and prior collection history.

Corporate stock: The Library received 52 shares of Penn Products Corporate Stock in 2016 that is reported at estimated fair value. This stock is not actively traded.

The following table sets forth by level, within the fair value hierarchy, the Library’s assets at fair value as of December 31:

Assets at Fair Value as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 380,220	\$ -	\$ -	\$ 380,220
Mutual funds and exchange traded funds				
Fixed income	1,237,462	-	-	1,237,462
Large value	222,260	-	-	222,260
Foreign large growth	139,337	-	-	139,337
Foreign large blend	130,733	-	-	130,733
Foreign small/mid blend	43,597	-	-	43,597
Foreign small/mid growth	115,590	-	-	115,590
Foreign large value	310,661	-	-	310,661
Large growth	225,315	-	-	225,315
Small/mid cap value	186,243	-	-	186,243
Small/mid cap growth	178,658	-	-	178,658
Small/mid cap blend	21,533	-	-	21,533
Large blend	254,688	-	-	254,688
Small value	248,972	-	-	248,972
Small/mid blend	98,466	-	-	98,466
Small/mid growth	186,076	-	-	186,076
Real estate	67,080	-	-	67,080
Other	175,316	-	-	175,316
Corporate stocks	-	-	2,600	2,600
Perpetual trusts held by third parties	-	2,655,229	-	2,655,229
Interest in net assets of community foundation	-	71,612	-	71,612
Promises to give	-	753,875	-	753,875
Total assets at fair value	\$ 4,222,207	\$ 3,480,716	\$ 2,600	\$ 7,705,523

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 143,137	\$ -	\$ -	\$ 143,137
Mutual funds and exchange traded funds				
Fixed income	908,110	-	-	908,110
Large value	215,667	-	-	215,667
Foreign large growth	113,058	-	-	113,058
Foreign large blend	109,463	-	-	109,463
Foreign small/mid blend	36,252	-	-	36,252
Foreign small/mid growth	80,882	-	-	80,882
Foreign large value	111,792	-	-	111,792
Large growth	112,915	-	-	112,915
Small/mid cap value	144,440	-	-	144,440
Small/mid cap growth	126,958	-	-	126,958
Small/mid cap blend	42,941	-	-	42,941
Large blend	247,448	-	-	247,448
Small value	175,501	-	-	175,501
Small/mid blend	221,052	-	-	221,052
Small/mid growth	105,523	-	-	105,523
Real estate	64,022	-	-	64,022
Other	143,495	-	-	143,495
Corporate stocks	-	-	2,600	2,600
Perpetual trusts held by third parties	-	2,577,863	-	2,577,863
Interest in net assets of community foundation	-	65,240	-	65,240
Promises to give	-	639,017	-	639,017
Total assets at fair value	<u>\$ 3,102,656</u>	<u>\$ 3,282,120</u>	<u>\$ 2,600</u>	<u>\$ 6,387,376</u>

The Library did not have any liabilities subject to fair value measurements or assets subject to non-recurring fair value measurements at December 31, 2020.

The following table sets forth a summary of changes in the fair value of the Library's level 3 assets as follows:

	Level 3 Assets, Year Ended December 31, 2020	Level 3 Assets, Year Ended December 31, 2019
Beginning balance	\$ 2,600	\$ 2,600
Contributions	-	-
Change in value of corporate stock	-	-
Ending balance	<u>\$ 2,600</u>	<u>\$ 2,600</u>

NOTE 10 DEFERRED REVENUE

The Library had deferred revenue for payments of sponsorships for events that have not occurred and advance payments of state aid to be used for 2021 operations as of December 31, 2020 and 2019. Deferred revenue at December 31, 2020 and 2019 consists of \$287,471 and \$20,439, respectively.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 11 LINES OF CREDIT

The Library maintained a \$200,000 line of credit with PNC Bank. The variable interest rate was calculated at the bank's prime rate plus .5% which was 5.75% on November 15, 2020 and was not renewed. The line of credit was secured by the Library's investment accounts held by the PNC Financial Services Group, Inc. Borrowings on the credit line amounted to \$50,000 as of December 31, 2019.

The Library maintains a \$300,000 (increased from \$200,000 in 2019) line of credit with ACNB Bank. The variable interest rate is calculated at the Wall Street Journal's prime rate less .5% with a floor of 2.75%. The interest rate was 2.75% at December 31, 2020. Any outstanding balance is payable on demand and due to expire on August 29, 2021 if not renewed annually. The line of credit is secured by the Library's investment accounts held by the trust department of ACNB Bank and the balance is not to fall below \$400,000. Borrowings against the line of credit amounted to \$0 and \$112,000 as of December 31, 2020 and 2019 respectively.

NOTE 12 LONG-TERM DEBT/GUARANTEED DEBT

During August 2015, the Library entered into an agreement with the East Berlin Community Library and co-signed a forty year United States Department of Agriculture (USDA) loan for the renovation of the East Berlin Community Library. The \$500,000 principal amount was drawn on during the construction process and was interest only at 3.625% through August 2016. In September 2016, monthly principal and interest payments of \$2,000 commenced. The loan will mature in August 2055. As of December 31, 2019, the outstanding loan balance owed by the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin was \$479,233. On December 31, 2020, as part of the acquisition of the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin, the Adams County Library System, Inc. acquired this long-term debt along with loan # 97-02. Long-term debt is as follows at December 31, 2020.

	2020
United States Department of Agriculture (USDA) Loan # 97-01	
Term loan; due August 2055; payable in monthly installments of \$2,000 including principal and interest; interest is fixed at 3.625% with a quarterly amortization repayment factor of 4.00% secured by essentially all personal property of the Library.	\$ 472,493
United States Department of Agriculture (USDA) Loan # 97-02	
Term loan; due August 2055; payable in monthly installments of \$2,000 including principal and interest; interest is fixed at 3.625% with a quarterly amortization repayment factor of 4.00%, secured by essentially all personal property of the Library.	<u>468,974</u>
 Total Long-Term Debt	 <u>\$ 941,467</u>

Future maturities of the long-term debt are as follows:

2021	\$	14,123
2022		14,644
2023		15,183
2024		15,743
2025		16,323
Thereafter		<u>865,451</u>
	<u>\$</u>	<u>941,467</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31:

	2020	2019
Subject to the passage of time		
Promises to give - leases (see Note 2)	\$ 426,809	\$ 449,050
Promises to give - bequests (for hearing/visually impaired)	281,966	-
Promises to give - contributions	<u>45,100</u>	<u>89,000</u>
	753,875	538,050
Subject to expenditure for specified purpose		
Musselman Foundation Endowment (See Note 7)	50,000	50,000
Book purchases	7,285	7,850
Named endowments (see Note 7)	127,555	37,306
Statue maintenance	500	500
Teen programing	-	2,442
Building projects and renovations	<u>189,565</u>	<u>45,127</u>
	374,905	143,225
Perpetual in Nature		
Donor contribution (A)	10,000	10,000
Named endowments (see Note 7)	722,575	518,791
Perpetual trusts (see Note 5)	<u>2,655,229</u>	<u>2,577,863</u>
	<u>3,387,804</u>	<u>3,106,654</u>
Total net assets with donor restrictions	<u>\$ 4,516,584</u>	<u>\$ 3,787,929</u>
Cash and cash equivalents	\$ 15,386	\$ 56,941
Promises to give	753,875	538,050
Investments	1,092,094	615,075
Perpetual trusts held by third-parties	<u>2,655,229</u>	<u>2,577,863</u>
	<u>\$ 4,516,584</u>	<u>\$ 3,787,929</u>

(A) The initial contribution from a donor is to be maintained in perpetuity and is not available for use by the Library, but income derived from the investments is expendable for general support. Donor contributions to be maintained in perpetuity amounts to \$10,000 as of December 31, 2020 and 2019.

NOTE 14 PPP LOAN & FFCRA ACT FUNDING

In April 2020, the Library entered into a Paycheck Protection Program (PPP) loan agreement through the Small Business Administration (SBA) in the amount of \$293,100. The Library has concluded that the PPP loan represents, in substance, a grant, and therefore has accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. All conditions were met by December 31, 2020 to support the recognition of income in the 2020 statement of activities, for the loan proceeds were used to cover payroll costs, mortgage interest, rent and/or utility costs over the 24-week period after the loan was made and employee and compensation levels were maintained. The Library applied for and received loan forgiveness in the amount of \$293,100 on February 8, 2021.

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 14 PPP LOAN & FFCRA ACT FUNDING (CONTINUED)

During 2020, the Families First Coronavirus Response Act (FFCRA), directly related to the pandemic, required certain employers to provide their employees with paid sick leave or extended family and medical leave for specific reasons related to COVID-19. Covered employers, such as the Library, qualified for dollar-for-dollar reimbursement through tax credits for all qualified wages paid under the FFCRA. During the year ended December 31, 2020, the Library received \$29,276 in FFCRA tax credits, which has been reported as support and revenue on the statement of activities for 2020.

NOTE 15 RENTAL INCOME

During 2010, the East Berlin Library purchased the building next door to its Library in East Berlin. The first and second floors of the property are intended to be rental properties. Rent for the office space is set at \$600 per month. If payment is made for an entire year, there is a 5% discount. The rental term is from April 1, 2020 to March 31, 2021. Rent for the apartment is set at \$630 per month based on a month to month rental agreement. Rent received in 2020 for the rental properties was reported as revenue to the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin before being acquired by the Adams County Library System, Inc. on December 31, 2020. The expected minimum rental payments for 2021 are approximately \$1,800.

NOTE 16 OPERATING LEASES

In 2017, the Library signed an agreement with the Borough of Carroll Valley to rent a portion of their Municipal Building to house the Fairfield Library. The Carroll Valley lease agreement is for 25 years from March 1, 2017 – February 28, 2042. Local municipalities have agreed to continue to reimburse the Library for a portion of the annual lease payments. Annual lease expenses are expected to approximate \$12,000 annually. Including the lease expenses described in Note 2, in addition to the above, total lease expenses were \$79,200 and \$73,950 in 2020 and 2019, respectively. Reimbursements from local municipality were \$11,789 for the years ended December 31, 2020 and 2019.

Future minimum lease payments under the current property leases are as follows:

2021	\$	12,000
2022		12,000
2023		12,000
2024		12,000
2025		12,000
Thereafter		<u>194,000</u>
	\$	<u>254,000</u>

The Library also has several operating leases for office equipment. Total lease expense for the years ended December 31, 2020 and 2019 was \$9,832 and \$12,763, respectively. Future minimum lease payments under equipment leases are as follows:

2021	\$	5,642
2022		4,550
2023		<u>2,688</u>
	\$	<u>12,880</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 17 EMPLOYEE BENEFIT PLANS

During 2019, the Library sponsored a Simplified Employee Benefit Plan which covered all permanent employees after a specified probationary period. The Library's contributions to the plan on behalf of its employees amounted to \$85,612 for the year ended December 31, 2019.

Effective January 1, 2020, the Library terminated the Simplified Employee Benefit Plan and established a 401(K) Plan. The 401(k) Plan sponsored by the Library is open to substantially all employees. The Library may make discretionary contributions or profit sharing contributions at its election to any participant meeting the eligibility requirements of age eighteen with more than one year of service. For the year ended December 31, 2020, the Library made contributions to the plan totaling \$42,637.

The Library provides medical insurance whereby the Library covers a portion of the employees' medical insurance premiums. The Library's expense under the plan amounted to \$168,742 and \$150,962 for the years ended December 31, 2020 and 2019, respectively.

NOTE 18 RELATED PARTIES

The Library receives contributions from board members. For the years ended December 31, 2020 and 2019, contributions received from board members were \$26,484 and \$70,192, respectively.

NOTE 19 CONTINGENCIES

The COVID-19 outbreak in the United States and around the world has caused business disruption through mandated and voluntary closings, including the Library and its donors. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration and extent of the economic impact. Therefore, it is reasonable to expect that the Library could be negatively impacted, however the degree of such impact is uncertain at this time.

NOTE 20 SUBSEQUENT EVENTS

The Library has evaluated events and transactions subsequent to December 31, 2020 through July 15, 2021, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has identified one event, discussed within Note 14, that have occurred subsequent to December 31, 2020 and through July 15, 2021, that requires recognition or disclosure in the financial statements.