

Audited
Financial
Statements

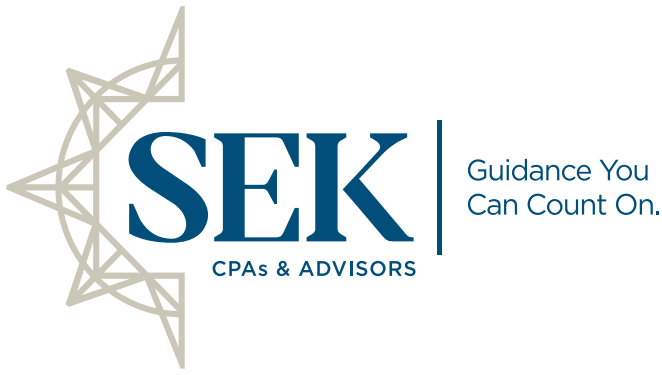
December 31,
2021

ADAMS COUNTY
LIBRARY



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Adams County Library System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Adams County Library System, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 the Adams County Library System, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adams County Library System, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges 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.

Smith Elliott Hearn & Company, LLC

Hanover, Pennsylvania
May 19, 2022

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 356,184	\$ 661,462
Accounts/fines receivable, net of allowance for doubtful account of \$91,914 and \$106,296, respectively	31,899	37,460
Other receivables	26,876	760
Promises to give		
Contributions and bequests	600	327,066
Leases	403,496	426,809
Prepaid expenses	56,454	48,808
Property and equipment, net of accumulated depreciation	3,832,756	3,971,263
Long-term investments	4,974,986	4,224,807
Perpetual trusts held by third-parties	2,859,513	2,655,229
Interest in net assets of community foundation	77,700	71,612
TOTAL ASSETS	\$ 12,620,464	\$ 12,425,276
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,959	\$ 17,836
Accrued payroll and vacation	72,663	71,813
Accrued expenses	2,084	2,612
Deferred revenue	15,227	287,471
Other liabilities	820	-
Long-term debt	927,337	941,467
Total Liabilities	1,025,090	1,321,199
Net Assets		
Without donor restrictions		
Undesignated	6,583,595	6,406,989
Board designated		
Outreach	120,200	106,319
Littlestown Library	59,395	54,109
East Berlin Library	13,258	12,076
Total board designated	192,853	172,504
Total without donor restrictions	6,776,448	6,579,493
With donor restrictions		
Time-restriction for future periods	404,096	753,875
Purpose restrictions	808,082	382,905
Perpetual in nature restrictions	3,606,748	3,387,804
Total with donor restrictions	4,818,926	4,524,584
Total Net Assets	11,595,374	11,104,077
TOTAL LIABILITIES AND NET ASSETS	\$ 12,620,464	\$ 12,425,276

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and gifts	\$ 417,329	\$ 82,632	\$ 499,961
Local government support	1,171,548	-	1,171,548
State government support	646,498	-	646,498
Fees, fines, and miscellaneous income	28,592	-	28,592
Rental income	12,793	-	12,793
Interest income	2,038	-	2,038
Net investment return	377,335	129,011	506,346
Income from perpetual trusts held by third parties	84,130	-	84,130
Change in value of perpetual trusts held by third parties	-	204,284	204,284
Change in interest in net assets of			
Community Foundation	8,813	-	8,813
Net assets released from restrictions	<u>121,585</u>	<u>(121,585)</u>	<u>-</u>
Total Support and Revenue	2,870,661	294,342	3,165,003
OPERATING EXPENSES			
Program services	2,146,768	-	2,146,768
Supporting services			
General and administration	444,691	-	444,691
Fundraising	<u>82,247</u>	<u>-</u>	<u>82,247</u>
Total Supporting Services	<u>526,938</u>	<u>-</u>	<u>526,938</u>
Total Operating Expenses	<u>2,673,706</u>	<u>-</u>	<u>2,673,706</u>
Change in net assets	196,955	294,342	491,297
NET ASSETS AT BEGINNING OF YEAR	<u>6,579,493</u>	<u>4,524,584</u>	<u>11,104,077</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,776,448</u>	<u>\$ 4,818,926</u>	<u>\$ 11,595,374</u>

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	<u>3,140,485</u>	<u>312,509</u>	<u>3,452,994</u>
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>1,545,975</u>	<u>424,146</u>	<u>1,970,121</u>
Change in net assets	2,044,185	736,655	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>\$ 6,579,493</u>	<u>\$ 4,524,584</u>	<u>\$ 11,104,077</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Supporting Services		Totals
		General and Administration	Fundraising	
Employee Related Expenses				
Salaries and wages	\$ 919,241	\$ 246,794	\$ 47,279	\$ 1,213,314
Employee benefits and payroll taxes	266,406	70,752	13,554	350,712
Travel and conferences	398	107	20	525
Other employee expenses	769	207	40	1,016
	<u>1,186,814</u>	<u>317,860</u>	<u>60,893</u>	<u>1,565,567</u>
Expenses Directly Allocated				
Circulation expense	248,273	-	-	248,273
Advertising	5,558	-	1,853	7,411
ACCESS PA Conversion	885	-	-	885
Fundraising expense	-	-	16,323	16,323
Memorials and named endowments program materials	21,668	-	-	21,668
Professional fees	42,053	34,821	234	77,108
Programming	19,688	-	-	19,688
Rental expense - facilities	85,700	-	-	85,700
Rental unit costs	-	6,318	-	6,318
Vehicle expense	5,728	-	-	5,728
Support contracts	11,275	-	-	11,275
Grant expenses	7,270	-	-	7,270
Interest expense	-	33,869	-	33,869
Loss on disposal of property and equipment	352	-	-	352
	<u>448,450</u>	<u>75,008</u>	<u>18,410</u>	<u>541,868</u>
Occupancy Expenses				
Depreciation - building and equipment	137,521	13,835	764	152,120
Equipment and service contracts	68,887	6,931	384	76,202
Dues and meetings	2,164	581	111	2,856
Insurance	15,652	1,575	87	17,314
Miscellaneous expenses	6,530	658	36	7,224
Postage and shipping	4,547	457	25	5,029
Rental expense - parking	6,237	628	35	6,900
Repairs and maintenance	52,982	5,330	295	58,607
Supplies	8,133	818	46	8,997
Telephone and internet expenses	159,268	16,022	886	176,176
Utilities	49,583	4,988	275	54,846
	<u>511,504</u>	<u>51,823</u>	<u>2,944</u>	<u>566,271</u>
Total Functional Expenses	<u>\$ 2,146,768</u>	<u>\$ 444,691</u>	<u>\$ 82,247</u>	<u>\$ 2,673,706</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 Cash Flows
Year Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 491,297	\$ 2,780,840
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,120	322,193
Loss on disposal of property and equipment	352	1,923
Net realized and unrealized (gain) on investments	(413,533)	(270,700)
Change in value of perpetual trusts held by third parties	(204,284)	(77,366)
Change in interest in net assets of Community Foundations	(6,088)	(6,372)
Net assets acquired, less cash and cash equivalents acquired of \$91,952	-	(1,878,169)
(Increase) decrease in assets:		
Accounts/fines receivables	5,561	15,767
Promises to give	349,779	(114,208)
Other receivables	(26,116)	19,759
Prepaid expenses	(7,646)	2,206
Increase (decrease) in liabilities:		
Accounts payable	(10,877)	(3,610)
Accrued payroll and vacation	850	2,214
Accrued expenses	(528)	1,300
Deferred revenue	(272,244)	267,032
Other liabilities	820	-
Net Cash Provided By Operating Activities	<u>59,463</u>	<u>1,062,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,965)	(10,447)
Purchases of investments	(665,331)	(473,019)
Sales of investments	328,685	51,790
Net Cash (Used) By Investing Activities	<u>(350,611)</u>	<u>(431,676)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in lines of credit	-	(162,000)
Repayment of long-term debt	(14,130)	-
Net Cash (Used) By Financing Activities	<u>(14,130)</u>	<u>(162,000)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(305,278)	469,133
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>661,462</u>	<u>192,329</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 356,184</u>	<u>\$ 661,462</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 33,869</u>	<u>\$ 686</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Net assets acquired, less cash and cash equivalents acquired of \$91,952	<u>\$ -</u>	<u>\$ 1,878,169</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, Littlestown, and East Berlin 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 2021 and 2020 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, 2021 and 2020, the Library received approximately \$6,000 and \$3,000, 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

On December 31, 2020, the estimated useful lives of books and other materials acquired from the East Berlin Library were 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$7,411 and \$6,480 for the years ended December 31, 2021 and 2020, 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.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation. Such reclassifications had no effect to the previously reported change in net assets.

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 \$100,826 and \$102,295 at December 31, 2021 and 2020, 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 \$302,670 and \$324,514 at December 31, 2021 and 2020, 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:

2021			
Years	New Oxford	Biglerville	Total
Received in less than one year	\$ 1,592	\$ 22,848	\$ 24,440
Received in one to five years	10,173	130,978	141,151
Received in more than five years	89,061	148,844	237,905
Total	<u>\$ 100,826</u>	<u>\$ 302,670</u>	<u>\$ 403,496</u>

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>

Contributions

The Library received promises to give in 2021 and 2020 totaling \$600 and \$327,066, respectively. Unconditional promises to give consisted of the following as of December 31:

	2021	2020
Less than one year/total promises to give	<u>\$ 600</u>	<u>\$ 327,066</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:

	2021	2020
Land, buildings and improvements	\$ 4,666,806	4,663,406
Furniture, fixtures and computers	1,156,278	1,148,994
Statue	1,230,453	1,230,453
Delivery van	36,589	36,589
	<u>7,090,126</u>	<u>7,079,442</u>
Less accumulated depreciation	<u>(3,257,370)</u>	<u>(3,108,179)</u>
Net property and equipment	<u>\$ 3,832,756</u>	<u>\$ 3,971,263</u>

Depreciation expense amounted to \$152,120 and \$322,193 for 2021 and 2020, 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 \$49,233 and \$44,146 as of December 31, 2021 and 2020, respectively, 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. Depreciation expense of \$5,117 was incurred for the year ended December 31, 2021.

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 \$28,471 and \$18,589 for the years ended December 31, 2021 and 2020, 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:

	2021		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash equivalents	\$ 144,538	\$ 144,538	\$ -
Fixed income mutual funds	1,425,724	1,421,115	(4,609)
Equity mutual funds and exchange traded funds	2,631,375	3,406,733	775,358
Corporate stock	4,680	2,600	(2,080)
	<u>\$ 4,206,317</u>	<u>\$ 4,974,986</u>	<u>\$ 768,669</u>

	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>

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 \$2,859,513 and \$2,655,229 at December 31, 2021 and 2020, respectively.

Income from the perpetual trusts for the years ended December 31, 2021 and 2020 was \$84,130 and \$71,072, 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 \$2,725 and \$2,685 for the years ended December 31, 2021 and 2020, respectively. There were no contributions to the fund for the years ended December 31, 2021 and 2020. 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 \$77,700 and \$71,612 as of December 31, 2021 and 2020, 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, 2021, and 2020 the balance of the designated fund amounted to \$25,972 and \$10,033, respectively.

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 unless stipulated otherwise by a donor. During 2021 the East Berlin Named Endowment was transferred to the Library's Named Endowment Fund and together they are referred to as the Named Endowment Fund. There are 8 different types of named endowment funds that are defined by their spendable purpose which are educational library programs (including materials), books/collection, program/author visit, operating, building fund, most urgent needs, technology, and scholarship endowment.

NOTE 7 ENDOWMENTS (CONTINUED)

Named Endowment Fund (continued)

The net appreciation from the endowment investments is calculated to determine the spendable portion of each endowment type. 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, 2021 and 2020, funds with original giving values of \$737,235 and \$526,110, fair values of \$947,689 and \$601,737, and surplus of \$210,454 and \$75,627, 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.

During 2021 the East Berlin Named Endowment fund was transferred to the Library’s Named Endowment Fund.

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

	2021			
	<u>Named Endowment Fund</u>	<u>Musselman Foundation Endowment</u>	<u>General Endowment</u>	<u>East Berlin Named Endowment</u>
Endowment net assets, beginning of year	\$ 601,737	\$ 125,113	\$ 592,547	\$ 248,393
Contributions/Acquisition	14,660	-	-	-
Investment income, net of fees	36,599	5,418	3,539	99
Realized and unrealized appreciation of investments	69,151	10,482	64,107	-
Funding provided for organization use	(22,950)	-	-	-
Net asset reclassification	248,492	-	-	(248,492)
Endowment net assets, end of year	<u>\$ 947,689</u>	<u>\$ 141,013</u>	<u>\$ 660,193</u>	<u>\$ -</u>
Investments are restricted as follows:				
Without donor restrictions	\$ -	\$ 91,013	\$ 660,193	\$ -
With donor restrictions - purpose restrictions	210,454	50,000	-	-
With donor restrictions - perpetual in nature	737,235	-	-	-
	<u>\$ 947,689</u>	<u>\$ 141,013</u>	<u>\$ 660,193</u>	<u>\$ -</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 7 ENDOWMENTS (CONTINUED)

	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	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)	-	-
Net asset reclassification	-	-	-	-
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>

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:

	2021
Cash and cash equivalents	\$ 269,467
Accounts/fines receivable, net (less than one year)	6,380
Other receivables	26,876
Long-term investments not restricted by donor or trustee restrictions	<u>3,313,533</u>
	<u>\$ 3,616,256</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 \$86,717 and long-term investments in the amount of \$1,661,453 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 invests 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, 2021, 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, 2021 and 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, 2021				
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 144,538	\$ -	\$ -	\$ 144,538
Mutual funds and exchange traded funds				
Fixed income	1,421,115	-	-	1,421,115
Large value	311,970	-	-	311,970
Foreign large growth	327,015	-	-	327,015
Foreign large blend	155,020	-	-	155,020
Foreign small/mid growth	132,480	-	-	132,480
Foreign small/mid value	49,803	-	-	49,803
Foreign large value	235,514	-	-	235,514
Large growth	201,264	-	-	201,264
Small/mid cap value	253,113	-	-	253,113
Small/mid cap growth	245,706	-	-	245,706
Small/mid cap blend	88,784	-	-	88,784
Large blend	470,368	-	-	470,368
Small value	332,377	-	-	332,377
Small/mid blend	67,294	-	-	67,294
Small/mid growth	222,588	-	-	222,588
Real estate	109,750	-	-	109,750
Other	203,687	-	-	203,687
Corporate stocks	-	-	2,600	2,600
Perpetual trusts held by third parties	-	2,859,513	-	2,859,513
Interest in net assets of community foundation	-	77,700	-	77,700
Promises to give	-	404,096	-	404,096
Total assets at fair value	\$ 4,972,386	\$ 3,341,309	\$ 2,600	\$ 8,316,295

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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				
Promises to give	-	71,612	-	71,612
	-	753,875	-	753,875
Total assets at fair value	\$ 4,222,207	\$ 3,480,716	\$ 2,600	\$ 7,705,523

The Library did not have any liabilities subject to fair value measurements or assets subject to non-recurring fair value measurements at December 31, 2021 and 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, 2021	Level 3 Assets, Year Ended December 31, 2020
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's deferred revenue consists of payments for sponsorships for events that have not occurred and advance payments of state aid to be used for future operations of \$15,227 and \$287,471, respectively, as of December 31, 2021 and 2020.

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 \$0 as of December 31, 2020.

The Library maintains a \$300,000 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, 2021. Any outstanding balance is payable on demand and due to expire mid 2022 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 as of December 31, 2021 and 2020.

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, 2020, the outstanding loan balance owed by the East Berlin Community Library d/b/a Jean Barnett Trone Memorial Library of East Berlin was \$472,493. 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:

	2021	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.	\$ 465,493	\$ 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>461,844</u>	<u>468,974</u>
Total Long-Term Debt	<u>\$ 927,337</u>	<u>\$ 941,467</u>

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

2022	\$	14,644
2023		15,183
2024		15,743
2025		16,323
2026		16,925
Thereafter		<u>848,519</u>
	\$	<u>927,337</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:

	2021	2020
Subject to the passage of time		
Promises to give - leases (see Note 2)	\$ 403,496	\$ 426,809
Promises to give - bequests (for hearing/visually impaired)	-	281,966
Promises to give - contributions	<u>600</u>	<u>45,100</u>
	404,096	753,875
Subject to expenditure for specified purpose		
Musselman Foundation Endowment (See Note 7)	50,000	50,000
Book purchases	6,875	7,285
Named endowments (see Note 7)	210,454	127,555
Statue maintenance	500	500
STEM programing	-	8,000
Teen programing and Harbaugh Thomas Library	67,500	-
Hearing and visually impaired	289,236	-
Building projects and renovations	<u>183,517</u>	<u>189,565</u>
	808,082	382,905
Perpetual in Nature		
Donor contribution (A)	10,000	10,000
Named endowments (see Note 7)	737,235	722,575
Perpetual trusts (see Note 5)	<u>2,859,513</u>	<u>2,655,229</u>
	<u>3,606,748</u>	<u>3,387,804</u>
Total net assets with donor restrictions	<u>\$ 4,818,926</u>	<u>\$ 4,524,584</u>
Cash and cash equivalents	\$ 86,717	\$ 23,386
Promises to give	404,096	753,875
Investments	1,468,600	1,092,094
Perpetual trusts held by third-parties	<u>2,859,513</u>	<u>2,655,229</u>
	<u>\$ 4,818,926</u>	<u>\$ 4,524,584</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, 2021 and 2020.

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 was 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 \$612 per month. If payment is made for an entire year, there is a 5% discount. The rental term is from April 1, 2021 to March 31, 2022. 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. Rental income for the year ended December 31, 2021 totaled \$12,793. The expected minimum rental payments for 2022 are approximately \$1,836.

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 \$85,700 and \$79,200 in 2021 and 2020, respectively. Reimbursements from local municipality were \$10,748 and \$11,789 for the years ended December 31, 2021 and 2020.

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

2022	\$	12,000
2023		12,000
2024		12,000
2025		12,000
2026		12,000
Thereafter		<u>182,000</u>
	\$	<u>242,000</u>

The Library also has several operating leases for office equipment. Total lease expense for the years ended December 31, 2021 and 2020 was \$10,241 and \$9,832, respectively. Future minimum lease payments under equipment leases are as follows:

2022	\$	9,361
2023		7,126
2024		<u>1,974</u>
	\$	<u>18,461</u>

ADAMS COUNTY LIBRARY SYSTEM, INC.
Notes to Financial Statements

NOTE 17 EMPLOYEE BENEFIT PLANS

Effective January 1, 2020, the Library terminated its 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, 2021 and 2020 the Library made contributions to the plan totaling \$38,797 and \$42,637, respectively.

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 \$200,488 and \$168,742 for the years ended December 31, 2021 and 2020, respectively.

NOTE 18 RELATED PARTIES

The Library receives contributions from board members. For the years ended December 31, 2021 and 2020, contributions received from board members were \$26,221 and \$26,484, respectively. The Library also receives contributions from Friends of the Library Organizations that hold events and activities to raise funds to directly support a specified Library. Such funds raised by Friends of the Library Organizations and contributed to the Library are as follows for December 31:

	2021	2020
Adams County	\$ 46,570	\$ 21,060
New Oxford	2,000	300
Littlestown	5,800	46,640
East Berlin	5,976	-
	<u>\$ 60,346</u>	<u>\$ 68,000</u>

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, 2021 through May 19, 2022, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has determined that no events have occurred subsequent to December 31, 2021 and through May 19, 2022, that require recognition or disclosure in the financial statements.