

THE FREE LIBRARY OF NEW HOPE & SOLEBURY

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(With Comparative Total for December 31, 2020)**

THE FREE LIBRARY OF NEW HOPE & SOLEBURY

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Free Library of New Hope & Solebury

Opinion

We have audited the accompanying financial statements of the Free Library of New Hope & Solebury (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the departure noted in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Free Library of New Hope & Solebury as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note K to the financial statements, the Library has included in current year support and revenue a contribution that was received and recorded as deferred revenue during the year ended December 31, 2020. In our opinion, U.S. generally accepted accounting principles require that contributions be recorded when received. The amount of the prior year contribution was \$13,298.

We conducted our audit 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 Free Library of New Hope & Solebury and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The 2020 financial statements were reviewed by other accountants, and their report thereon, dated July 7, 2021, stated that except for the Known Departure from U. S. generally accepted accounting principles, they were not aware of any material modifications that should be made to those financial statements for them to be in accordance with U.S. generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 Free Library of New Hope & Solebury'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 judgment made by a reasonable user based on the financial statements.

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

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

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

Baum, Smith & Clemens, LLP

Harleysville, PA
April 20, 2022

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	2021	Reviewed 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 198,198	\$ 170,455
Accounts receivable	10,564	12,890
Investments- operating	1,440,277	1,281,595
Total current assets	1,649,039	1,464,940
Fixed assets, net	781,117	799,239
Other Assets		
Endowment investments-restricted	141,370	129,641
Total assets	\$ 2,571,526	\$ 2,393,820
LIABILITIES		
Liabilities		
Accounts payable	\$ 9,622	\$ 3,720
PPP loan	-	36,875
Deferred income	-	13,298
Total Liabilities	9,622	53,893
NET ASSETS		
Without donor restrictions		
Undesignated	2,330,026	2,134,743
Designated by the board	24,943	24,943
Total without donor restrictions	2,354,969	2,159,686
With donor restrictions		
Purpose restrictions	134,814	115,991
Perpetual in nature	72,121	64,250
Total with donor restrictions	206,935	180,241
Total net assets	2,561,904	2,339,927
Total liabilities and net assets	\$ 2,571,526	\$ 2,393,820

See Accompanying Notes to Financial Statements

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Reviewed 2020 Total</u>
PUBLIC SUPPORT AND REVENUES				
Public Support				
Grants - government	224,298	5,000	229,298	200,368
Contributions	8,811	9,030	17,841	11,519
Fund drive contributions	73,754	-	73,754	58,484
Special events, net of direct benefits to donors	-	3,832	3,832	6,531
Revenue				
Summer reading	752	5,000	5,752	3,518
Other	5,338	-	5,338	4,346
Satisfaction of program restrictions	12,497	(12,497)	-	
Total public support and revenue	<u>325,450</u>	<u>10,365</u>	<u>335,815</u>	<u>284,766</u>
EXPENSES				
Program	195,212	-	195,212	187,605
Management and general	63,123	-	63,123	70,336
Fundraising	36,742	-	36,742	31,872
Total expenses	<u>295,077</u>	<u>-</u>	<u>295,077</u>	<u>289,813</u>
Change in net assets before non-operating income	<u>30,373</u>	<u>10,365</u>	<u>40,738</u>	<u>(5,047)</u>
Non-operating income				
Change in value of investments	140,234	13,678	153,912	145,937
Investment income	24,676	2,651	27,327	24,429
	<u>164,910</u>	<u>16,329</u>	<u>181,239</u>	<u>170,366</u>
Change in net assets	<u>195,283</u>	<u>26,694</u>	<u>221,977</u>	<u>165,319</u>
Net assets beginning of year	<u>2,159,686</u>	<u>180,241</u>	<u>2,339,927</u>	<u>2,174,608</u>
Net assets end of year	<u><u>\$ 2,354,969</u></u>	<u><u>\$ 206,935</u></u>	<u><u>\$ 2,561,904</u></u>	<u><u>2,339,927</u></u>

See Accompanying Notes to Financial Statements

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
STATEMENTS OF CASH FLOWS
DECEMBER, 2021
WITH COMPARATIVE TOTALS FOR 2020

	2021	Reviewed 2020
Cash flows from operating activities		
Change in net assets	\$ 221,977	\$ 165,319
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	18,122	20,389
Forgiveness of PPP Loan	(36,875)	-
Realized and unrealized (gain) loss on investments	(153,912)	(132,357)
Endowment net investment (return) loss	(24,493)	(13,580)
Change in assets and liabilities		
Accounts receivable	2,326	(6,890)
Accounts payable	5,902	35,670
Deferred income	(13,298)	13,298
Net cash provided by operating activities	19,749	81,849
Cash flows from investing activities		
Purchase of fixed assets	-	(20,847)
Transfer to operating	10,645	-
Purchase of operating investments	-	(106,969)
Proceeds from sales of operating investments	-	80,000
Purchase of endowment investments	(2,651)	(2,239)
Proceeds from sales of endowment investments	-	4,944
Net cash used by investing activities	7,994	(45,111)
Net change in cash and cash equivalents	27,743	36,738
Cash and cash equivalents		
Beginning of year	170,455	133,717
End of year	\$ 198,198	\$ 170,455

See Accompanying Notes to Financial Statements

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Reviewed 2020 Total</u>
Personnel					
Salaries	\$ 111,350	\$ 26,302	\$ 21,400	\$ 159,052	\$ 159,845
Payroll taxes and employee benefits	10,977	2,593	2,110	15,680	14,594
Total personnel	<u>122,327</u>	<u>28,895</u>	<u>23,510</u>	<u>174,732</u>	<u>174,439</u>
Operations					
Books/ reference materials	31,878	-	-	31,878	26,286
DVD/ audio materials	3,134	-	-	3,134	3,576
Lectures & workshops	2,264	-	-	2,264	4,069
Periodical subscriptions	4,957	-	-	4,957	2,990
Liability insurance	3,965	743	248	4,956	4,835
Postage	-	373	2,289	2,662	1,215
Supplies	48	4,759	-	4,807	6,004
Printing and advertising	168	-	8,251	8,419	7,592
Telecommunications and telephone	-	3,500	-	3,500	2,839
Utilities	2,783	475	135	3,393	3,356
Depreciation	14,497	3,625	-	18,122	20,389
Building maintenance	8,966	2,242	-	11,208	10,843
Website/computer/database mgt	225	282	2,309	2,816	3,608
Professional and consulting fees	-	15,450	-	15,450	15,235
Bank/CCD service fees	-	1,702	-	1,702	1,642
Miscellaneous	-	1,077	-	1,077	895
Total operating	<u>72,885</u>	<u>34,228</u>	<u>13,232</u>	<u>120,345</u>	<u>115,374</u>
Total expenses	<u>\$ 195,212</u>	<u>\$ 63,123</u>	<u>\$ 36,742</u>	<u>\$ 295,077</u>	<u>\$ 289,813</u>

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Library provides a library collection and library services to the residences and businesses of New Hope, Solebury and its surrounding communities. Major sources of revenue include state and municipal funding and donor contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned and expenses are recorded when liabilities are incurred.

Basis of Presentation

The Library reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restriction on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Library adopted the new standard effective January 1, 2021, the first day of the Library's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Library elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Library used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Library expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Library has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The Library generally recognizes revenue for contracts at a point in time as the performance obligation is satisfied. Revenue recognized primarily consists of one performance obligation that is satisfied at the point of transfer. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Library's ongoing services and programs. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

The Library considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. The carrying amounts of the Library's cash and cash equivalents approximate their fair values.

Receivables

Receivables represent the unpaid balance of contributions. These receivables are determined to be readily collectible; therefore, an allowance for bad debts is not warranted.

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value based upon quoted market prices. Net realized and unrealized gains and losses on investments are reflected in the statement of activity and changes in net assets. Investment income includes interest, dividends, and realized and unrealized gains and losses. In general, investments are exposed to market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts in the statements of financial position.

Fair Value Measurement

The Library applies the provisions of the Financial Accounting Standards Board's Accounting Standards Codification in determining fair value. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements

Property and Equipment

Property and equipment as well as additions are carried on the books at cost if purchased or fair value if donated. Included in property and equipment is a historically certified building with a historical cost of \$267,000. In accordance with U.S. generally accepted accounting principles, depreciation is not required to be provided for historically certified buildings.

Property and equipment are depreciated using the straight line method over the assets estimated useful lives. All capital expenditures in excess of \$2,000 are capitalized to fixed assets. Items under the \$2,000 capitalization threshold as well as costs of maintenance and repairs that do not extend the useful lives of the applicable assets are charged to expense as incurred. When fixed assets are retired, or otherwise disposed of, the asset and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations.

Collections

Circulating Collections – the circulating collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statement of financial position. Purchases of collection items are expensed in the year in which the items are acquired.

Special Collections – The Library's special collections, which were primarily acquired through contributions since the Library's inception, consist of paintings, prints, furniture and literary works are held for educational and aesthetic purposes. Special collection items are not recognized as an asset on the statement of financial position.

Net Assets

Net Assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions:

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions a board-designated endowment, to be used for purposes of the board's discretion.

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, they are released when the stipulated time has lapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Income generated from the endowment fund can be used for purchase of British and American Literature, classics and educational material.

Board Designated Funds

The Board designated funds have been set aside for future expenditures that benefit the Library and are outside of normal operational expenses. Past releases from the designated funds have been for website and consulting for the Library.

Revenue Recognition

Revenues are recorded on the accrual basis. The Library records special event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Library records grant awards accounted for as exchange transactions as deferred income until related services are performed or goods exchanged, at which time they are recognized as revenue.

Contributions are recognized when the donor makes a promise to give to the Library that is, in substance, an unconditional promise to give. The Library recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as net assets without restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenues from the summer reading program and other miscellaneous items, such as fines, are recognized at the point of sale. The Library does not have any significant financing component as payment is received at or shortly after the point of sale.

Donated Materials and Services

No amounts have been reflected in the statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assists the Library.

Functional Expenses

The costs of providing the activities of the Library are presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefits. Allocations among the classifications are performed using a variety of techniques, such as management's identification of costs and time and effort.

Income Taxes

The Library is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Library has been classified as an organization that is not a private foundation under Section 509(a)(2).

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U. S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Library's reviewed financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassification

Certain items in the accompanying 2020 financial statement totals have been reclassified to conform to the current year presentation. The reclassifications had no impact on the previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was April 20, 2022.

NOTE B: CREDIT RISK AND CONCENTRATIONS

Credit Risk

The Library maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. No loss has been experienced in such accounts and the Library believes it is not exposed to any significant credit risk on cash.

The Library maintains accounts with a brokerage firm. The accounts contain cash and securities. Security balances are insured up to \$500,000 by the Securities Investor Protection Corporation. Cash balances held in these accounts have not exceeded federal limits, and the Library has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Support and Revenue

Concentrations in support and revenue are those who account for 10% or more of the activity. For the year ended December 31, 2021, the Library had three funders who provided a total of 58.5% of the 2021 support and revenue. The PPP loan forgiveness was 11% and the Solebury Township and New Hope Borough contributed 37.2% and 10.3%, respectively.

NOTE C: PROPERTY & EQUIPMENT

Property and equipment consists of the following as of December 31, 2021:

Building-Historically Certified	\$ 267,000
Building improvements	632,898
Furniture and fixtures	<u>44,636</u>
	\$ 944,534
Accumulated depreciation	<u>(163,417)</u>
	<u>\$ 781,117</u>

For the year ended December 31, 2021, depreciation expense totaled \$18,122.

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE D: FAIR VALUE MEASUREMENT

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). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"> ▪ Quoted prices for similar assets in active markets; ▪ Quoted prices for identical or similar assets in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset; ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p style="margin-left: 40px;">If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.</p>
Level 3	Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There are no changes in the methodologies used for the years ended December 31, 2021.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - stocks	\$ 1,012,433	\$ -	\$ -	\$ 1,012,433
Mutual funds - bonds	569,214	-	-	569,214
Total investments	<u>\$ 1,581,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,581,647</u>

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE E: ENDOWMENTS

The Library's endowment consists of an individual fund established for the purpose of purchasing books and periodicals related to British and American literature, classics and educational material. The endowment consists of temporarily restricted and permanently restricted investments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Library have interpreted the law as requiring any donor-restricted contributions as being classified as, temporarily restricted or permanently restricted depending on the nature of the restriction. The Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the library and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the library
- (7) The investment policies of the library

Endowment net asset composition by restricted nature for year ended December 31, 2021 is as follows:

	Perpetual In Nature	Purpose Restricted	Total With donor restrictions
Endowment net assets, beginning of year	\$ 64,250	\$ 65,391	\$ 129,641
Investment return:			
Interest and dividends	-	2,651	2,651
Net appreciation (realized and unrealized)	7,871	6,907	14,778
	<u>7,871</u>	<u>9,558</u>	<u>17,429</u>
Appropriation for books	-	(5,700)	(5,700)
Endowment net assets, end of year	<u>\$ 72,121</u>	<u>\$ 69,249</u>	<u>\$ 141,370</u>

Return Objectives and Risk Parameters: The Library has adopted investment and spending policies for endowment assets that attempt to provide growth of the fund through the ownership of securities that have growth potential. The Library expects its endowment funds, over time, to provide an acceptable long-term return at a level of risk which the Library has determined to be suitable; however, actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE F: LINE OF CREDIT

The Library has available a \$100,000 line of credit, which expires September 1, 2022. The line is secured the Library's real property and is to be used for building renovations. The interest rate on the line is variable. There were no outstanding borrowings at December 31, 2021.

NOTE G: NET ASSETS WITH DONOR RESTRICTION

Net Assets with donor restrictions were restricted for the following purposes for the year ended December 31, 2021:

Subject to expenditure for specified Purpose:

	Amount
Purpose – Children's programs	\$ 2,000
Purpose – Teen & tween programs	5,604
Read- a -thon	31,933
Summer reading club	2,594
Technology grant	7,511
Shelving	6,650
Spelling Bee	3,832
Employee benefit	3,864
Community programs	1,577
Sub- total	65,565

Endowments: Restricted by donors for British American Literature, classics and educational material:

Perpetual in nature	72,121
Purpose restrictions	69,249
Sub-total	141,370
Total	\$ 206,935

Donor restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

Summer reading club	\$ 4,360
British/American literature, classics & educational material	5,700
Employee benefits	1,136
Technology	1,943
Community/miscellaneous	458
Total	\$ 13,597

NOTE H: CARES ACT FUNDING

During 2021 the loan that was received pursuant to the Paycheck Protection Program (PPP Loan) under Division A Title I of the Coronavirus Aid Relief and Economic Securities (CARES) Act in the amount of \$36,875 was forgiven. This amount has been included in the government grants line item on the Statement of Activities.

NOTE I: FUND RAISING ACTIVITIES

The Library had planned on having a live spelling bee event during the year. This event was not held. The amount of support that sponsors and donors contributed that can be used for a future event is \$3,832.

THE FREE LIBRARY OF NEW HOPE & SOLEBURY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE J: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets of the Library available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

Cash and Cash equivalents	\$ 198,198
Accounts receivable	10,564
Investments - operating	<u>1,440,277</u>
	1,649,039
Less amounts that are internally designated or externally restricted:	
Donor restricted for specified purpose or time period	(206,935)
Board designated funds	<u>(24,943)</u>
Amounts available for general operations for the next twelve months	<u>\$ 1,417,161</u>

Approximately \$65,000 of the donor restricted funds are restricted for ongoing library programs and are available for use in the next 12 months. The Board-designated assets of \$24,943 would be available for use if needed.

NOTE K: U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES MEASUREMENT DEPARTURE

During fiscal year ended December 31, 2020, management made the determination to recognize a contribution received as support in the 2020 financial statements as deferred revenue. U.S. generally accepted accounting principles (GAAP) requires recognition of contributions as support in the year received. The amount of the GAAP departure was \$13,298. During the fiscal year ending December 31, 2021, this amount has been included in support and revenue on the Statement of Activities.