

**SAMUELS LIBRARY, INC.**

**Front Royal, Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2007**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5-9

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Samuels Library, Inc.  
Front Royal, Virginia

We have audited the accompanying statement of financial position of Samuels Library, Inc. as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samuels Library, Inc. as of June 30, 2007, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Yount, Hyde & Barbours, P.C.*

Winchester, Virginia  
November 5, 2007

**SAMUELS LIBRARY, INC.**

**Statement of Financial Position**

June 30, 2007

**Assets**

Cash and cash equivalents	\$ 2,440,969
Land, buildings and equipment, net	<u>188,284</u>
Total assets	<u>\$ 2,629,253</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 3,585
Deferred income	8,490
Funds held for Warren County for new library construction	2,269,414
Note payable	<u>67,027</u>
Total liabilities	<u>\$ 2,348,516</u>
<b>Net Assets, unrestricted</b>	<u>\$ 280,737</u>
Total liabilities and net assets	<u>\$ 2,629,253</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Activities**

For the Year Ended June 30, 2007

**Revenues and Other Support**

Warren County	\$ 385,000
Virginia State Aid	123,961
Town of Front Royal	56,594
Private gifts and grants	14,507
Interest earned	8,866
Fines and copier revenue	27,767
Miscellaneous fees	13,110
Total revenues	<u>\$ 629,805</u>

**Expenses**

Automated systems	\$ 12,780
Book-related costs	11,794
Books, cassettes, and videos	77,039
Children and adult programs	9,226
Depreciation	33,119
Insurance	4,831
Interest expense	4,688
Maintenance service and supplies	20,485
Office equipment and maintenance	7,300
Office expense	5,488
Other expense	11,698
Salaries	334,410
Subscriptions	7,571
Taxes and benefits	80,503
Utilities	18,504
Total expenses	<u>\$ 639,436</u>

Change in net assets \$ (9,631)

Net assets, beginning of year, as previously stated	\$ 298,497
Prior period adjustment	<u>(8,129)</u>
Net assets, beginning of year, as restated	<u>\$ 290,368</u>
Net assets, end of year	<u>\$ 280,737</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Cash Flows**  
For the Year Ended June 30, 2007

<b>Cash Flows from Operating Activities</b>	
(Decrease) in net assets	\$ (9,631)
Adjustments to reconcile (decrease) in net assets to net cash provided by operating activities:	
Nonoperating items:	
Noncash item, depreciation	33,119
Changes in assets and liabilities:	
Increase in deferred income	150
Increase in funds held for Warren County for library construction	<u>2,269,414</u>
Net cash provided by operating activities	<u>\$ 2,293,052</u>
 <b>Cash Flows from Investing Activities,</b>	
purchase of property and equipment	<u>\$ (10,882)</u>
 <b>Cash Flows from Financing Activities,</b>	
principal payments on note payable	<u>\$ (18,554)</u>
 Net increase in cash and cash equivalents	\$ 2,263,616
 <b>Cash and Cash Equivalents</b>	
Beginning	<u>177,353</u>
 Ending	<u>\$ 2,440,969</u>
 <b>Supplemental Disclosures of Cash Flow Information,</b>	
cash payments for interest	<u>\$ 4,688</u>

See Notes to Financial Statements.

## **SAMUELS LIBRARY, INC.**

### **Notes to Financial Statements**

#### **Note 1. Nature of Operations**

Samuels Library, Incorporated (“the Library”) is a Virginia nonprofit corporation. Its purpose is to operate a public library serving the Town of Front Royal and Warren County, Virginia. The Library’s major sources of income are from Warren County, the Town of Front Royal and Virginia State Aid.

#### **Note 2. Significant Accounting Policies**

The financial statements of the Library have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

##### **Contributions**

The Library reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

##### **Net Asset Groups**

Permanently restricted net assets consist of various individual gifts from donors who have stipulated, as a condition of the gift, that the principal is to be maintained intact in perpetuity and that only the income from the investment be expended either for unrestricted purposes or for purposes stated by the donor. The Library has no permanently restricted net assets as of June 30, 2007.

Temporarily restricted net assets consist of individual gifts from donors who have stipulated time or purpose restrictions. Assets are released from restriction and reclassified to other net asset groups as the Library fulfills the donor stipulation or upon passage of time. Restrictions whose purpose was fulfilled in the year of restriction are recorded as unrestricted donations for the year. The Library has no temporarily restricted net assets as of June 30, 2007.

## Notes to Financial Statements

### Cash and Cash Equivalents

For purposes of reporting cash flows, the Library considers all highly liquid debt instruments purchased with a maturity of twelve months or less to be cash equivalents. The Library's cash accounts are maintained in three commercial banks located in Virginia.

### Plant Assets and Depreciation

All purchases of property and equipment have been recorded at cost. Property and equipment that is donated to the Library is stated at its fair market value at the time of donation. Depreciation is determined by the straight-line method. Estimated useful lives for purposes of depreciation are as follows:

	<u>Years</u>
Buildings and improvements	20-33
Equipment	3-15
Furniture and fixtures	10

Depreciation expense was \$33,119 for the year ended June 30, 2007.

### Revenue Recognition

The Library recognizes revenue in the year it is earned.

### 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Tax Status

The Internal Revenue Service has determined that the Library is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.



## Notes to Financial Statements

### Note 3. Land, Buildings and Equipment

At June 30, 2007, land, buildings and equipment consisted of the following:

Buildings and improvements	\$ 687,715
Equipment	198,762
Furniture and fixtures	<u>74,620</u>
	\$ 961,097
Less accumulated depreciation	<u>(772,813)</u>
	<u>\$ 188,284</u>

### Note 4. Note Payable

#### Wachovia

\$100,000 note with interest of 5.990%, and monthly payments of \$1,937 until August 2010, secured by Horizon Automation System.

\$ 67,027

Maturities of long-term debt and notes payable are: \$19,773, 2008; \$20,990, 2009; \$22,283, 2010; and \$3,981, 2011.

### Note 5. Pension Plan

The Library maintains a defined contribution pension plan covering employees who have earned at least \$300 during the tax year. The plan was established in April 1990. Contributions vest after one year of service. The library contributes 5% of eligible employee's earnings. The Library contributed \$15,729 to the plan for the year ending June 30, 2007.

### Note 6. Deferred Income

The Library received \$8,490 from the Thompson Charitable Trust in April 2007. This contribution is for the next fiscal year, June 30, 2008.

## Notes to Financial Statements

### Note 7. Commitments and Contingencies

The Library receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Library's programs and activities.

The Library has entered into a contract for architect services as part of facilitating the construction of a new library that will be owned by Warren Co. The remaining commitment of this contract is \$437,600.

### Note 8. Funds Held for Warren County

The Library has entered into a contract to facilitate and oversee the construction of a new library that will be owned by Warren County. The Library received funds totaling \$2,250,000 from Warren County during fiscal year, June 30, 2007 to begin the design and construction of the new facility. The Library will receive an additional \$2,250,000 and \$2,500,000 from Warren County during fiscal year June 30, 2007 and 2008, respectively. Construction is tentatively set to be complete by July 1, 2009. The Library is liable to Warren County for all funds received as well as any income earned on the funds. Funds will be disbursed to pay for design and construction related costs as needed. At June 30, 2007 funds held for Warren County including investment income earned less expenditures incurred totaled \$2,269,414.

Funds held for Warren County for new library construction at beginning of year	\$	--
Amounts received from Warren County		2,250,000
Investment income		35,923
Expenses		<u>(16,509)</u>
Funds held for Warren County for new library construction at end of year	\$	<u>2,269,414</u>

## Notes to Financial Statements

### **Note 9. Contributed Services**

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

These amounts have been reflected in the financial statements for donated services. The Library pays for most services requiring specific expertise. However, the Library receives a significant amount of donated services from unpaid volunteers who assist in clerical duties. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

### **Note 10. Concentration of Credit Risk**

The Library maintains its cash accounts in three commercial banks. The amount on deposit at June 30, 2007 exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$2,167,448.

### **Note 11. Prior Period Reclassification**

The unrestricted net assets have been reclassified as of June 30, 2006 due to the reclassification of building campaign expenses from land, building, and equipment to expense. The reclassification resulted in an \$8,129 decrease in unrestricted net assets as of June 30, 2006.

### **Note 12. Related Parties**

Friends of Samuels Library and Samuels Library Foundation are related Organizations of the Library that were created to support the Library. The related Organizations have not been consolidated in the Library's financial statements since they are separate entities and do not meet the requirements for consolidation. As of June 30, 2007, there were no transactions between the Organizations.