

**SAMUELS LIBRARY, INC.**

**Front Royal, Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2009**

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

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



Certified Public Accountants  
and Consultants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Samuels Library, Inc. as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide 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, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Winchester, Virginia  
November 9, 2009

**SAMUELS LIBRARY, INC.**

**Statements of Financial Position**

June 30, 2009 and 2008

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 459,875	\$ 3,916,763
Grants receivable	16,250	--
Land, buildings and equipment, net	<u>612,630</u>	<u>158,817</u>
Total assets	<u>\$ 1,088,755</u>	<u>\$ 4,075,580</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 68,178	\$ 42,731
Deferred income	7,733	9,000
Funds held for Warren County for new library construction	208,231	3,699,641
Notes payable	<u>382,750</u>	<u>47,322</u>
Total liabilities	<u>\$ 666,892</u>	<u>\$ 3,798,694</u>
Net Assets, unrestricted	<u>\$ 421,863</u>	<u>\$ 276,886</u>
Total liabilities and net assets	<u>\$ 1,088,755</u>	<u>\$ 4,075,580</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statements of Activities**  
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Revenues and Other Support</b>		
Warren County	\$ 473,717	\$ 430,000
Virginia State Aid	137,713	123,539
Town of Front Royal	68,924	61,208
Samuels Library Foundation	216,268	--
Private gifts and grants	43,925	16,682
Interest earned	5,383	6,236
Fines and copier revenue	27,149	29,214
Miscellaneous fees	18,936	8,982
Total revenues and other support	<u>\$ 992,015</u>	<u>\$ 675,861</u>
<b>Expenses</b>		
Automated systems	\$ 15,807	\$ 21,374
Book-related costs	9,139	10,630
Books, cassettes, and videos	79,530	81,418
Children and adult programs	9,971	9,141
Computer hardware and software supplies	52,257	--
Depreciation	41,333	33,929
Furniture and equipment	53,790	--
Insurance	5,289	4,779
Interest expense	12,762	3,538
Loss on disposal of fixed assets	4,741	--
Maintenance service and supplies	18,596	18,097
Office equipment and maintenance	9,766	3,658
Office expense	6,723	6,948
Other expense	16,344	12,654
Salaries	392,584	362,117
Subscriptions	11,020	7,548
Taxes and benefits	82,779	83,370
Utilities	24,607	20,511
Total expenses	<u>\$ 847,038</u>	<u>\$ 679,712</u>
Change in net assets	<u>\$ 144,977</u>	<u>\$ (3,851)</u>
Net assets, beginning of year	<u>\$ 276,886</u>	<u>\$ 280,737</u>
Net assets, end of year	<u>\$ 421,863</u>	<u>\$ 276,886</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statements of Cash Flows**  
For the Years Ended June 30, 2009 and 2008

	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 144,977	\$ (3,851)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	41,333	33,929
Loss on disposal of fixed assets	4,741	--
Changes in assets and liabilities:		
(Increase) in grants receivable	(16,250)	--
Increase in accounts payable and accrued expenses	25,447	39,147
(Decrease) increase in deferred income	(1,267)	510
Net cash provided by operating activities	\$ 198,981	\$ 69,735
 <b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	\$ (143,515)	\$ (4,463)
(Decrease) increase in funds held for Warren County for library construction	(3,491,410)	1,430,227
Net cash (used in) provided by investing activities	\$ (3,634,925)	\$ 1,425,764
 <b>Cash Flows from Financing Activities,</b> principal payments on note payable	\$ (20,944)	\$ (19,705)
Net (decrease) increase in cash and cash equivalents	\$ (3,456,888)	\$ 1,475,794
 <b>Cash and Cash Equivalents</b>		
Beginning	3,916,763	2,440,969
Ending	\$ 459,875	\$ 3,916,763
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for interest	\$ 8,312	\$ 9,538
Noncash - furniture and fixtures financed	\$ 356,372	\$ --

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, 2009 and 2008.

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, 2009 and 2008.

## 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 two 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 \$41,333 and \$33,929 for the years ended June 30, 2009 and 2008, respectively.

### 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, 2009 and 2008, land, buildings and equipment consisted of the following:

	2009	2008
Buildings and improvements	\$ 687,715	\$ 687,715
Equipment	199,956	168,382
Furniture and fixtures	433,533	74,620
	\$ 1,321,204	\$ 930,717
Less accumulated depreciation	(708,574)	(771,900)
	\$ 612,630	\$ 158,817

### Note 4. Notes Payable

	2009	2008
<b>Wachovia</b>		
\$100,000 note with interest of 5.990%, and monthly payments of \$1,937 until August 2010, secured by Horizon Automation System.	\$ 26,378	\$ 47,322
 <b>County of Warren, Virginia</b>		
\$356,372 note with interest being donated, and quarterly principal payments of \$89,093, matures March 2010.	356,372	--
	\$ 382,750	\$ 47,322

Maturities of long-term debt and notes payable are: \$378,655, 2010; and \$4,095, 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 \$16,328 and \$16,420 to the plan for the years ending June 30, 2009 and 2008, respectively.

## Notes to Financial Statements

**Note 6. Deferred Income**

The Library received \$7,733 and \$9,000 from the Thompson Charitable Trust in April 2009 and 2008, respectively. This contribution is for the next fiscal year.

**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 contracts for architect services and construction services for the construction of a new library that will be owned by Warren County. The remaining commitment of this contract is \$225,965.

**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 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, 2009 and 2008, funds held for Warren County including investment income earned less expenditures incurred totaled \$208,231 and \$3,699,641, respectively.

	2009	2008
Funds held for Warren County for new library construction at beginning of year	\$ 3,699,641	\$ 2,269,414
Amounts received from Warren County	1,827,907	2,250,000
Investment income	51,512	100,708
Expenditures	(5,370,829)	(920,481)
Funds held for Warren County for new library construction at end of year	\$ 208,231	\$ 3,699,641

## 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 two commercial banks. The amount on deposit at June 30, 2009 exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$380,895.

### **Note 11. Related Parties**

Friends of Samuels Library and Samuels Library Foundation (“the 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, 2008, there were no transactions between the Organizations. As of June 30, 2009, the Foundation donated \$216,268 to the Library. The Foundation has agreed to make the quarterly principal payment on the loan from Warren County, which matures on March 30, 2010. The note can be extended if necessary.

### **Note 12. Leases**

The Library leases its facility on Criser Road from Warren County for \$1 each year. The lease is a 30-year term which will expire in January 2038. In return, Warren County leases the facility on Villa Avenue from the Library for \$0. The lease is a 20-year term which will expire in September 2029.

### **Note 13. Subsequent Events**

The Library will receive \$50,000 of federal funds provided through the American Recovery and Reinvestment Act (ARRA) during fiscal year 2010. The ARRA funds will allow the library to purchase new shelving, audio visual equipment, and a new phone system.

Subsequent events have been evaluated through November 9, 2009, which is the date the financial statements were available to be released.