

**SAMUELS LIBRARY, INC.**

**Front Royal, Virginia**

**FINANCIAL REPORT**

**June 30, 2012**

## **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 and 4
Statements of cash flows	5
Notes to financial statements	6-10

## 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, 2012 and 2011, 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, 2012 and 2011, 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  
October 24, 2012

**SAMUELS LIBRARY, INC.**

**Statements of Financial Position**

June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 291,564	\$ 261,572
Pledges receivable	8,000	14,000
Capital lease receivable	262,810	291,178
Land, buildings and equipment, net	<u>397,396</u>	<u>432,360</u>
Total assets	<u>\$ 959,770</u>	<u>\$ 999,110</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 10,519</u>	<u>\$ 11,267</u>
<b>Net Assets</b>		
Unrestricted	\$ 930,371	\$ 963,488
Temporarily restricted	<u>18,880</u>	<u>24,355</u>
Total net assets	<u>\$ 949,251</u>	<u>\$ 987,843</u>
Total liabilities and net assets	<u>\$ 959,770</u>	<u>\$ 999,110</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Activities**

For the Year Ended June 30, 2012

	2012		
	Unrestricted	Temporarily Restricted	Totals
<b>Revenues and Other Support</b>			
Warren County	\$ 675,385	\$ --	\$ 675,385
Virginia State Aid	136,420	--	136,420
Town of Front Royal	95,000	--	95,000
Fundraising income	24,216	--	24,216
Private gifts and grants	12,298	7,725	20,023
Interest earned	5,151	--	5,151
Fines and copier revenue	37,000	--	37,000
Loss on disposal of fixed assets	(75)	--	(75)
Miscellaneous fees	18,278	--	18,278
Total revenues and other support before releases	\$ 1,003,673	\$ 7,725	\$ 1,011,398
Net assets released from restriction	13,200	(13,200)	--
Total revenues and other support	\$ 1,016,873	\$ (5,475)	\$ 1,011,398
<b>Expenses</b>			
Automated systems	\$ 23,038	\$ --	\$ 23,038
Bad debt expense	--	--	--
Book-related costs	13,984	--	13,984
Books, cassettes, and videos	84,498	--	84,498
Children and adult programs	15,870	--	15,870
Computer hardware and software supplies	21,210	--	21,210
Depreciation	64,406	--	64,406
Fundraising	6,021	--	6,021
Insurance	4,384	--	4,384
Maintenance service and supplies	63,735	--	63,735
Office equipment and maintenance	11,131	--	11,131
Office expense	17,686	--	17,686
Other expense	21,128	--	21,128
Salaries	498,144	--	498,144
Subscriptions	6,090	--	6,090
Taxes and benefits	113,653	--	113,653
Utilities	85,012	--	85,012
Total expenses	\$ 1,049,990	\$ --	\$ 1,049,990
Change in net assets	\$ (33,117)	\$ (5,475)	\$ (38,592)
Net assets, beginning of year	963,488	24,355	987,843
Net assets, end of year	\$ 930,371	\$ 18,880	\$ 949,251

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Activities**

For the Year Ended June 30, 2011

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Totals</b>
<b>Revenues and Other Support</b>			
Warren County	\$ 650,000	\$ --	\$ 650,000
Virginia State Aid	124,311	--	124,311
Town of Front Royal	95,000	--	95,000
Samuels Library Foundation	50,000	--	50,000
Private gifts and grants	22,547	21,200	43,747
Interest earned	1,845	--	1,845
Fines and copier revenue	37,783	--	37,783
Gain on disposal of fixed assets	494,734	--	494,734
Miscellaneous fees	17,171	--	17,171
Total revenues and other support before releases	<u>\$ 1,493,391</u>	<u>\$ 21,200</u>	<u>\$ 1,514,591</u>
Net assets released from restriction	8,844	(8,844)	--
Total revenues and other support	<u>\$ 1,502,235</u>	<u>\$ 12,356</u>	<u>\$ 1,514,591</u>
<b>Expenses</b>			
Automated systems	\$ 15,995	\$ --	\$ 15,995
Bad debt expense	9,750	--	9,750
Book-related costs	11,704	--	11,704
Books, cassettes, and videos	74,214	--	74,214
Children and adult programs	13,869	--	13,869
Computer hardware and software supplies	12,087	--	12,087
Depreciation	83,765	--	83,765
Insurance	6,089	--	6,089
Interest expense	3,878	--	3,878
Maintenance service and supplies	49,524	--	49,524
Office equipment and maintenance	9,833	--	9,833
Office expense	15,926	--	15,926
Other expense	26,104	--	26,104
Salaries	486,984	--	486,984
Subscriptions	8,909	--	8,909
Taxes and benefits	110,300	--	110,300
Utilities	83,558	--	83,558
Total expenses	<u>\$ 1,022,489</u>	<u>\$ --</u>	<u>\$ 1,022,489</u>
Change in net assets	\$ 479,746	\$ 12,356	\$ 492,102
Net assets, beginning of year, before restatement	483,386	5,155	488,541
Prior period restatement	356	6,844	7,200
Net assets, beginning of year, after restatement	<u>\$ 483,742</u>	<u>\$ 11,999</u>	<u>\$ 495,741</u>
Net assets, end of year	<u>\$ 963,488</u>	<u>\$ 24,355</u>	<u>\$ 987,843</u>

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statements of Cash Flows**

For the Years Ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (38,592)	\$ 492,102
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,406	83,765
(Gain) loss on disposal of fixed assets	75	(494,734)
Changes in assets and liabilities:		
Decrease in grants receivable	--	9,750
Decrease (increase) in pledges receivable	6,000	(14,000)
(Decrease) in accounts payable and accrued expenses	(748)	(303)
Net cash provided by operating activities	\$ 31,141	\$ 76,936
 <b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	\$ (29,517)	\$ (1,769)
(Decrease) in funds held for Warren County for library construction	--	(33,464)
Net cash (used in) investing activities	\$ (29,517)	\$ (35,233)
 <b>Cash Flows from Financing Activities</b>		
Principal payments on notes payable	\$ --	\$ (29,102)
Proceeds from capital lease receivable	28,368	--
Net cash provided by (used in) financing activities	\$ 28,368	\$ (29,102)
 Net increase (decrease) in cash and cash equivalents	\$ 29,992	\$ 12,601
 <b>Cash and Cash Equivalents</b>		
Beginning	261,572	248,971
Ending	\$ 291,564	\$ 261,572
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for interest	\$ --	\$ 32
Noncash - settlement of debt in connection with capital lease	\$ --	\$ (231,372)
Noncash - capital lease receivable	\$ --	\$ (291,178)

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, 2012 and 2011.

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 temporarily restricted net assets of \$18,880 and \$24,355 for the years ended June 30, 2012 and 2011, respectively.



## 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 \$64,406 and \$83,765 for the years ended June 30, 2012 and 2011, respectively.

### Revenue Recognition

The Library recognizes revenue in the year it is earned.

### Fair Value of Financial Instruments

The carrying amounts of the Library's financial instruments approximate their fair value.

### 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, 2012 and 2011, land, buildings and equipment consisted of the following:

	<b>2012</b>	<b>2011</b>
Equipment	\$ 223,218	\$ 208,288
Furniture and fixtures	449,385	444,128
	\$ 672,603	\$ 652,416
Less accumulated depreciation	(275,207)	(220,056)
	\$ 397,396	\$ 432,360

### Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	<b>2012</b>	<b>2011</b>
Landscaping	\$ 3,155	\$ 3,155
Pledges and other time restrictions	15,725	21,200
	\$ 18,880	\$ 24,355

Net assets during the years ended June 30, 2012 and 2011 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

	<b>2012</b>	<b>2011</b>
Pledges and other time restrictions	\$ 13,200	\$ 6,844
Children's programs	--	2,000
	\$ 13,200	\$ 8,844

### Note 5. Pension Plan

The Library maintains a defined contribution pension plan covering employees who have been employed by the Library for one 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 \$23,369 and \$24,393 to the plan for the years ending June 30, 2012 and 2011, respectively.

## Notes to Financial Statements

### **Note 6. 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.

### **Note 7. Prior Period Restatement**

For the year ended June 30, 2010, the Library restated \$7,200 from unrestricted net assets to temporarily restricted net assets in order to properly restate deferred revenue that should have been recorded as temporarily restricted net assets. There is a \$7,200 increase in net assets as a result of the restatement.

### **Note 8. 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 FASB Accounting Standards Codification have not been satisfied.

### **Note 9. Concentration of Credit Risk**

The Library maintains its cash accounts in two commercial banks. The amount on deposit at June 30, 2012 did not exceed the insurance limits of the Federal Deposit Insurance Corporation.

### **Note 10. 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. The Foundation donated to the Library \$0 and \$50,000 for the years ended June 30, 2012 and 2011, respectively.

## Notes to Financial Statements

### Note 11. 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 May 2012, the Library entered into a capital lease (with purchase option) with Warren County for the facility on Villa Avenue. Warren County will pay the Library \$550,000 less the \$231,372 remaining note payable balance over 8 years commencing January 1, 2012 and ending January 1, 2019. Future minimum lease payments at June 30, 2012 are as follows:

#### Year Ending June 30:

2013	\$	31,863
2014		31,863
2015		31,863
2016		31,863
2017		53,105
Thereafter		<u>106,209</u>
	\$	286,766
Imputed interest at 2%		<u>(23,956)</u>
	\$	<u>262,810</u>

### Note 12. Subsequent Events

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through October 24, 2012, the date the financial statements were available to be issued.