

**SAMUELS LIBRARY, INC.**

**Front Royal, Virginia**

**FINANCIAL REPORT**

**June 30, 2019**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Samuels Library, Inc. (“the Library”), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor’s Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 Library’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Winchester, Virginia  
October 16, 2019

**SAMUELS LIBRARY, INC.**

**Statements of Financial Position**

June 30, 2019 and 2018

| <b>Assets</b>                                 | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| Cash and cash equivalents                     | \$ 177,449          | \$ 211,362          |
| Accounts receivable                           | 175                 | 175                 |
| Capital lease receivable                      | --                  | 52,062              |
| Prepaid expense                               | 7,754               | 10,399              |
| Investments                                   | 739,289             | 659,569             |
| Land, buildings and equipment, net            | <u>322,550</u>      | <u>319,160</u>      |
| Total assets                                  | <u>\$ 1,247,217</u> | <u>\$ 1,252,727</u> |
| <br><b>Liabilities and Net Assets</b>         |                     |                     |
| <b>Current Liabilities</b>                    |                     |                     |
| Accounts payable and accrued expenses         | \$ 31,474           | \$ 37,013           |
| Capital lease payable, current portion        | 6,286               | --                  |
| Note payable, current maturities              | <u>13,661</u>       | <u>13,285</u>       |
| Total current liabilities                     | <u>\$ 51,421</u>    | <u>\$ 50,298</u>    |
| <br><b>Long-Term Liabilities</b>              |                     |                     |
| Capital lease payable, net of current portion | \$ 19,944           | \$ --               |
| Note payable, net of current maturities       | <u>2,293</u>        | <u>15,963</u>       |
| Total long-term liabilities                   | <u>\$ 22,237</u>    | <u>\$ 15,963</u>    |
| Total liabilities                             | <u>\$ 73,658</u>    | <u>\$ 66,261</u>    |
| <br><b>Net Assets</b>                         |                     |                     |
| Without donor restrictions                    | \$ 1,164,997        | \$ 1,171,810        |
| With donor restrictions                       | <u>8,562</u>        | <u>14,656</u>       |
| Total net assets                              | <u>\$ 1,173,559</u> | <u>\$ 1,186,466</u> |
| Total liabilities and net assets              | <u>\$ 1,247,217</u> | <u>\$ 1,252,727</u> |

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Activities**

For the Year Ended June 30, 2019

|  | <b>2019</b>                               |  |                     |
|--|---|--|---------------------|
|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>        |
| <b>Revenues and Other Support</b>                |   |  |                     |
| Warren County                                    | \$ 979,134                                | \$ --                                  | \$ 979,134          |
| Virginia State Aid                               | 151,560                                   | --                                     | 151,560             |
| The Friends of Samuels Public Library            | 18,405                                    | --                                     | 18,405              |
| Fundraising, net of direct expenses of \$3,929   | 31,416                                    | --                                     | 31,416              |
| Private gifts and grants                         | 30,999                                    | --                                     | 30,999              |
| Fines and copier revenue                         | 38,344                                    | --                                     | 38,344              |
| (Loss) on disposal of fixed assets               | (2,929)                                   | --                                     | (2,929)             |
| Miscellaneous fees                               | 18,762                                    | --                                     | 18,762              |
| Investment income, net                           | 46,141                                    | --                                     | 46,141              |
| Total revenues and other support before releases | <u>\$ 1,311,832</u>                       | <u>\$ --</u>                           | <u>\$ 1,311,832</u> |
| Net assets released from restriction             | <u>6,094</u>                              | <u>(6,094)</u>                         | <u>--</u>           |
| Total revenues and other support                 | <u>\$ 1,317,926</u>                       | <u>\$ (6,094)</u>                      | <u>\$ 1,311,832</u> |
| <b>Expenses</b>                                  |   |  |                     |
| Automated systems                                | \$ 26,295                                 | \$ --                                  | \$ 26,295           |
| Book-related costs                               | 17,812                                    | --                                     | 17,812              |
| Books, cassettes, and videos                     | 108,699                                   | --                                     | 108,699             |
| Children and adult programs                      | 25,578                                    | --                                     | 25,578              |
| Computer hardware and software supplies          | 12,899                                    | --                                     | 12,899              |
| Contribution to the Community Foundation         | 5,000                                     | --                                     | 5,000               |
| Depreciation                                     | 85,671                                    | --                                     | 85,671              |
| Insurance  | 10,872                                    | --                                     | 10,872              |
| Interest   | 720                                       | --                                     | 720                 |
| Maintenance service and supplies                 | 56,016                                    | --                                     | 56,016              |
| Office equipment and maintenance                 | 22,647                                    | --                                     | 22,647              |
| Office expense                                   | 19,513                                    | --                                     | 19,513              |
| Other expense                                    | 33,955                                    | --                                     | 33,955              |
| Salaries   | 635,695                                   | --                                     | 635,695             |
| Subscriptions                                    | 4,269                                     | --                                     | 4,269               |
| Taxes and benefits                               | 174,079                                   | --                                     | 174,079             |
| Utilities  | 85,019                                    | --                                     | 85,019              |
| Total expenses                                   | <u>1,324,739</u>                          | <u>--</u>                              | <u>1,324,739</u>    |
| Change in net assets                             | <u>(6,813)</u>                            | <u>(6,094)</u>                         | <u>(12,907)</u>     |
| Net assets, beginning of year                    | <u>1,171,810</u>                          | <u>14,656</u>                          | <u>1,186,466</u>    |
| Net assets, end of year                          | <u>\$ 1,164,997</u>                       | <u>\$ 8,562</u>                        | <u>\$ 1,173,559</u> |

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statement of Activities**

For the Year Ended June 30, 2018

|  | <b>2018</b>                               |  |                     |
|--|---|--|---------------------|
|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Totals</b>       |
| <b>Revenues and Other Support</b>                |   |  |                     |
| Warren County                                    | \$ 973,682                                | \$ --                                  | \$ 973,682          |
| Virginia State Aid                               | 149,834                                   | --                                     | 149,834             |
| The Friends of Samuels Public Library            | 18,005                                    | --                                     | 18,005              |
| Fundraising, less direct expenses of \$4,463     | 31,022                                    | --                                     | 31,022              |
| Private gifts and grants                         | 35,743                                    | --                                     | 35,743              |
| Fines and copier revenue                         | 40,843                                    | --                                     | 40,843              |
| Miscellaneous fees                               | 18,337                                    | --                                     | 18,337              |
| Investment income, net                           | 51,285                                    | --                                     | 51,285              |
| Total revenues and other support before releases | <u>\$ 1,318,751</u>                       | <u>\$ --</u>                           | <u>\$ 1,318,751</u> |
| Net assets released from restriction             | <u>8,211</u>                              | <u>(8,211)</u>                         | <u>--</u>           |
| Total revenues and other support                 | <u>\$ 1,326,962</u>                       | <u>\$ (8,211)</u>                      | <u>\$ 1,318,751</u> |
| <b>Expenses</b>                                  |   |  |                     |
| Automated systems                                | \$ 34,546                                 | \$ --                                  | \$ 34,546           |
| Book-related costs                               | 17,881                                    | --                                     | 17,881              |
| Books, cassettes, and videos                     | 91,284                                    | --                                     | 91,284              |
| Children and adult programs                      | 16,267                                    | --                                     | 16,267              |
| Computer hardware and software supplies          | 13,069                                    | --                                     | 13,069              |
| Depreciation                                     | 83,952                                    | --                                     | 83,952              |
| Insurance  | 6,940                                     | --                                     | 6,940               |
| Interest   | 1,002                                     | --                                     | 1,002               |
| Maintenance service and supplies                 | 31,657                                    | --                                     | 31,657              |
| Office equipment and maintenance                 | 21,503                                    | --                                     | 21,503              |
| Office expense                                   | 19,084                                    | --                                     | 19,084              |
| Other expense                                    | 32,586                                    | --                                     | 32,586              |
| Salaries   | 641,840                                   | --                                     | 641,840             |
| Subscriptions                                    | 8,914                                     | --                                     | 8,914               |
| Taxes and benefits                               | 164,112                                   | --                                     | 164,112             |
| Utilities  | 78,448                                    | --                                     | 78,448              |
| Total expenses                                   | <u>\$ 1,263,085</u>                       | <u>\$ --</u>                           | <u>\$ 1,263,085</u> |
| Change in net assets                             | \$ 63,877                                 | \$ (8,211)                             | \$ 55,666           |
| Net assets, beginning of year                    | <u>1,107,933</u>                          | <u>22,867</u>                          | <u>1,130,800</u>    |
| Net assets, end of year                          | <u>\$ 1,171,810</u>                       | <u>\$ 14,656</u>                       | <u>\$ 1,186,466</u> |

See Notes to Financial Statements.

**SAMUELS LIBRARY, INC.**

**Statements of Cash Flows**  
For the Years Ended June 30, 2019 and 2018

|  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|
| <b>Cash Flows from Operating Activities</b>  |              |              |
| Change in net assets   | \$ (12,907)  | \$ 55,666    |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |              |              |
| Net realized and unrealized (gain) on investment securities                                    | (17,705)     | (29,109)     |
| Depreciation   | 85,671       | 83,952       |
| Loss on disposal of fixed assets   | 2,929        | 476          |
| Changes in assets and liabilities:   |              |              |
| Decrease in prepaid expense  | 2,645        | 1,803        |
| (Decrease) increase in accounts payable and accrued expenses                                   | (5,539)      | 14,667       |
| Net cash provided by operating activities  | \$ 55,094    | \$ 127,455   |
| <br><b>Cash Flows from Investing Activities</b>  |              |              |
| Purchase of property and equipment   | \$ (58,811)  | \$ (66,491)  |
| Proceeds from sale of investments  | -            | 61,138       |
| Purchase of investments  | (62,015)     | (104,355)    |
| Net cash (used in) investing activities  | \$ (120,826) | \$ (109,708) |
| <br><b>Cash Flows from Financing Activities</b>  |              |              |
| Proceeds from capital lease receivable   | \$ 52,062    | \$ 51,043    |
| Principal payments on capital lease payable  | (6,949)      | -            |
| Principal payments on notes payable  | (13,294)     | (12,934)     |
| Net cash provided by financing activities  | \$ 31,819    | \$ 38,109    |
| <br>Net (decrease) increase in cash and cash equivalents                                       | \$ (33,913)  | \$ 55,856    |
| <br><b>Cash and Cash Equivalents</b>   |              |              |
| Beginning  | 211,362      | 155,506      |
| Ending   | \$ 177,449   | \$ 211,362   |
| <br><b>Supplemental Disclosures of Cash Flow Information:</b>                                  |              |              |
| Cash paid for interest   | \$ 720       | \$ 1,002     |
| Assets acquired under capital lease  | \$ 33,179    | \$ -         |

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 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 all unconditional promises to give, including those with donor imposed restrictions, at time of receipt of the promise. Gifts of cash and other assets are presented 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as net assets without donor restrictions 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 net assets with donor restrictions. 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.

##### **Financial Statement Presentation**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-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, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## 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> |
|------------------------|--------------|
| Equipment              | 3-15         |
| Furniture and fixtures | 7-10         |
| Building improvements  | 15           |

Depreciation expense was \$85,671 and \$83,952 for the years ended June 30, 2019 and 2018, 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

### Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework 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 under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

#### *Investments*

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

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

## Notes to Financial Statements

### New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statement for Not-for-Profit Entities. The Foundation adopted the provisions of this new standard in the current year. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 3) as well as the allocation methodology for the schedule of functional expenses (Note 13). Adoption of this standard had no effect on the change in net assets or in total.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five-step process, which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Organization for its year ended June 30, 2020. The Organization is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or a part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and lease liability at the present value of remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the Organization for its year ended June 30, 2021. FASB has proposed a one-year extension to the effective date, which would make the effective date for the year ended June 30, 2022. The proposed extension is currently open for public comment. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Organization for its year ended June 30, 2020. ASU 2018-08 is effective for contributions made, if applicable, by the Organization for its year ended June 30, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

## Notes to Financial Statements

### Note 3. Liquidity and Availability

The Organization had a surplus of \$908,351 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, liabilities, and other obligations as they come due.

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

|  |                   |
|--|-------------------|
| Financial assets, at year-end:   |                   |
| Cash and cash equivalents  | \$ 177,449        |
| Accounts receivable  | 175               |
| Investments  | <u>739,289</u>    |
| Total financial assets   | <u>\$ 916,913</u> |
|  |                   |
| Less amounts not available to be used within one year:                                 |                   |
| Restricted by donors for purpose   | <u>\$ 8,562</u>   |
|  |                   |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 908,351</u> |

### Note 4. Capital Lease Receivable

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 2011, the Library entered into a capital lease receivable (with purchase option) with Warren County for the facility on Villa Avenue. During the year ending June 30, 2019, the capital lease was paid in full.

### Note 5. Investments

The cost and fair value of securities are summarized as follows:

|                             | 2019              |                   | 2018              |                   |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | Cost              | Market Value      | Cost              | Market Value      |
| Cash reserves               | \$ 869            | \$ 869            | \$ 34,684         | \$ 34,684         |
| Corporate equity securities | 417,864           | 498,386           | 353,882           | 420,216           |
| Mutual funds                | 215,176           | 234,540           | 188,645           | 204,669           |
| Community Foundation        | <u>5,000</u>      | <u>5,494</u>      | --                | --                |
|                             | <u>\$ 638,909</u> | <u>\$ 739,289</u> | <u>\$ 577,211</u> | <u>\$ 659,569</u> |

## Notes to Financial Statements

### Note 6. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value as of June 30, 2019 and 2018:

|                             | <b>2019</b>    |                |                |
|-----------------------------|----------------|----------------|----------------|
|                             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Cash reserves               | \$ 869         | \$ --          | \$ --          |
| Corporate equity securities | 498,386        | --             | --             |
| Mutual funds                | 234,540        | --             | --             |
| Community Foundation        | --             | 5,494          | --             |
|                             | \$ 733,795     | \$ 5,494       | \$ --          |
|                             |                |                |                |
|                             | <b>2018</b>    |                |                |
|                             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
| Cash reserves               | \$ 34,684      | \$ --          | \$ --          |
| Corporate equity securities | 420,216        | --             | --             |
| Mutual funds                | 204,669        | --             | --             |
|                             | \$ 659,569     | \$ --          | \$ --          |

### Note 7. Land, Buildings and Equipment

At June 30, 2019 and 2018, land, buildings and equipment consisted of the following:

|                               | <b>2019</b> | <b>2018</b> |
|-------------------------------|-------------|-------------|
| Building improvements         | \$ 121,155  | \$ 121,155  |
| Equipment                     | 414,134     | 375,229     |
| Furniture and fixtures        | 453,484     | 460,675     |
|                               | \$ 988,773  | \$ 957,059  |
| Less accumulated depreciation | (666,223)   | (637,899)   |
|                               | \$ 322,550  | \$ 319,160  |

## Notes to Financial Statements

### Note 8. Capital Lease Payable

During fiscal year 2019, the Library entered into a noncancellable capital lease for two self-checkouts beginning on April 1, 2019 through March 31, 2023. The asset and liability under the capital lease was recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset. The asset is amortized over the lower of the lease term or its estimated useful life. The amortization is included in depreciation expense in the accompanying financial statements. Depreciation of the asset under capital lease charged to expense for the year ended June 30, 2019 was \$2,212.

The following is a summary of property held under the capital lease included in land, buildings and equipment as of June 30, 2019:

|                               |    |                |
|-------------------------------|----|----------------|
| Equipment                     | \$ | 33,179         |
| Less accumulated depreciation |    | <u>(2,212)</u> |
|                               | \$ | <u>30,967</u>  |

Minimum future lease payments under the capital lease as of June 30, 2019 for each of the five years and in the aggregate are:

#### Years Ending June 30:

|   |    |                |
|---|----|----------------|
| 2020                                    | \$ | 7,027          |
| 2021                                    |    | 7,027          |
| 2022                                    |    | 7,027          |
| 2023                                    |    | 7,027          |
| Less amount representing interest       |    | <u>(1,878)</u> |
| Present value of minimum lease payments | \$ | <u>26,230</u>  |

### Note 9. Note Payable

Note payable at June 30, 2019 and 2018 consisted of the following.

|  | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|
| Note payable to a financing institution in the amount of \$65,000 collateralized by securities held in the investment account at BB&T Scott & Stringfellow. The loan is payable in monthly installments of \$1,161 including interest at 2.79% maturing July 2020. | <u>\$ 15,954</u> | <u>\$ 29,248</u> |

Aggregate maturities of the note payable for the years ended June 30, 2020 and 2021 are \$13,661 and \$2,293 respectively.

## Notes to Financial Statements

### Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

|   | <b>2019</b>     | <b>2018</b>      |
|---|-----------------|------------------|
| Collection development                      | \$ --           | \$ 5,000         |
| Issuance of new library cards - Gins Estate | 8,562           | 9,656            |
|   | <b>\$ 8,562</b> | <b>\$ 14,656</b> |

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors as follows for the years ended June 30, 2019 and 2018.

|   | <b>2019</b>     | <b>2018</b>     |
|---|-----------------|-----------------|
| Collection development                      | \$ 5,000        | \$ 5,000        |
| Issuance of new library cards - Gins Estate | 1,094           | 391             |
| Retirement celebration for director         | --              | 1,720           |
| Purchase of sphero balls                    | --              | 1,000           |
| Children's garden tree replacement          | --              | 100             |
|   | <b>\$ 6,094</b> | <b>\$ 8,211</b> |

### Note 11. Investment Income, Net

Investment income, net consisted of the following for the years ended June 30, 2019 and 2018

|                                  | <b>2019</b>      | <b>2018</b>      |
|----------------------------------|------------------|------------------|
| Interest and dividends           | \$ 31,870        | \$ 25,321        |
| Net realized and unrealized gain | 17,705           | 29,109           |
| Investment fees                  | (3,434)          | (3,145)          |
|                                  | <b>\$ 46,141</b> | <b>\$ 51,285</b> |



## Notes to Financial Statements

### Note 12. Schedule of Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2019:

|  | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|--|-----------------------------|-----------------------------------|--------------------|---------------------|
| Automated systems                        | \$ 26,295                   | \$ --                             | \$ --              | \$ 26,295           |
| Book-related costs                       | 17,812                      | --                                | --                 | 17,812              |
| Books, cassettes, and videos             | 108,699                     | --                                | --                 | 108,699             |
| Children and adult programs              | 25,578                      | --                                | --                 | 25,578              |
| Computer hardware and software supplies  | 12,899                      | --                                | --                 | 12,899              |
| Contribution to the Community Foundation | 5,000                       | --                                | --                 | 5,000               |
| Depreciation                             | 81,387                      | 4,284                             | --                 | 85,671              |
| Insurance                                | 10,328                      | 544                               | --                 | 10,872              |
| Interest                                 | 720                         | --                                | --                 | 720                 |
| Maintenance service and supplies         | 56,016                      | --                                | --                 | 56,016              |
| Office equipment and maintenance         | 22,647                      | --                                | --                 | 22,647              |
| Office expense                           | 18,537                      | 976                               | --                 | 19,513              |
| Other expense                            | 13,555                      | 20,400                            | --                 | 33,955              |
| Salaries                                 | 392,489                     | 215,809                           | 27,397             | 635,695             |
| Subscriptions                            | 4,269                       | --                                | --                 | 4,269               |
| Taxes and benefits                       | 111,583                     | 57,110                            | 5,386              | 174,079             |
| Utilities                                | 80,768                      | 4,251                             | --                 | 85,019              |
| Total expenses                           | <u>\$ 988,582</u>           | <u>\$ 303,374</u>                 | <u>\$ 32,783</u>   | <u>\$ 1,324,739</u> |

### Note 13. Allocation Methodology for the Schedule of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedule of functional expenses. Certain costs have been allocated among program services, management and general and fundraising. Such allocations have been made by management on an equitable basis. The expenses that are allocated include the following:

| <u>Expense</u>                           | <u>Method of Allocation</u>           |
|--|---------------------------------------|
| Automated systems                        | Direct allocation                     |
| Book-related costs                       | Direct allocation                     |
| Books, cassettes, and videos             | Direct allocation                     |
| Children and adult programs              | Direct allocation                     |
| Computer hardware and software supplies  | Direct allocation                     |
| Contribution to the Community Foundation | Direct allocation                     |
| Depreciation                             | Time and effort                       |
| Insurance                                | Direct allocation and time and effort |
| Interest                                 | Direct allocation                     |
| Maintenance service and supplies         | Direct allocation                     |
| Office equipment and maintenance         | Direct allocation                     |
| Office expense                           | Direct allocation and time and effort |
| Other expense                            | Direct allocation and time and effort |
| Salaries                                 | Time and effort                       |
| Subscriptions                            | Direct allocation                     |
| Taxes and benefits                       | Time and effort                       |
| Utilities                                | Direct allocation and time and effort |

## Notes to Financial Statements

### **Note 14. 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 July 2013. Contributions vest after one year of service. The library contributes 5% of eligible employee's earnings. The Library contributed \$31,530 and \$28,402 to the plan for the years ending June 30, 2019 and 2018 respectively.

### **Note 15. 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 16. Concentration of Credit Risk**

The Library's cash amounts are maintained in two commercial banks located in Virginia which, at times may exceed federally insured limits. The Library has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### **Note 17. Related Parties**

The Friends of Samuels Public Library, Inc. is a related Organization of the Library that was created to support the Library. The related Organization has not been consolidated in the Library's financial statements since it is a separate entity and does not meet the requirements for consolidation. The Friends of Samuels Public Library, Inc. donated \$18,405 and \$18,005 to the Library for the years ended June 30, 2019 and 2018, respectively.

## Notes to Financial Statements

### **Note 18. Concentration by Major Customers**

Contributions from the government of Warren County, Virginia and the Library of Virginia approximate 75% and 12%, respectively, of the total revenue for the year ended June 30, 2019 and 74% and 11%, respectively, for the year ended June 30, 2018. A significant decline in the revenue from the County or the Library of Virginia could negatively impact the operations of the Library.

### **Note 19. Subsequent Events**

Subsequent to June 30, 2019, the Library purchased computer replacements at a total cost of \$18,550.

The Library has evaluated all events through October 16, 2019, the date the financial statements were available to be issued. The Library has determined there are no additional subsequent events that require recognition or disclosure.