

SAMUELS LIBRARY, INC.

Front Royal, Virginia

FINANCIAL REPORT

June 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 26, 2020

SAMUELS LIBRARY, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 250,709	\$ 177,449
Accounts receivable	175	175
Prepaid expense	--	7,754
Investments	717,474	739,289
Land, buildings and equipment, net	<u>276,744</u>	<u>322,550</u>
 Total assets	 <u>\$ 1,245,102</u>	 <u>\$ 1,247,217</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 39,838	\$ 31,474
Capital lease payable, current portion	7,027	6,286
Note payable, current maturities	<u>1,150</u>	<u>13,661</u>
Total current liabilities	<u>\$ 48,015</u>	<u>\$ 51,421</u>
 Long-Term Liabilities		
Capital lease payable, net of current portion	\$ 12,917	\$ 19,944
Note payable, net of current maturities	--	2,293
Paycheck Protection Program note payable	<u>138,700</u>	<u>--</u>
Total long-term liabilities	<u>\$ 151,617</u>	<u>\$ 22,237</u>
 Total liabilities	 <u>\$ 199,632</u>	 <u>\$ 73,658</u>
 Net Assets		
Without donor restrictions	\$ 1,045,470	\$ 1,164,997
With donor restrictions	<u>--</u>	<u>8,562</u>
Total net assets	<u>\$ 1,045,470</u>	<u>\$ 1,173,559</u>
 Total liabilities and net assets	 <u>\$ 1,245,102</u>	 <u>\$ 1,247,217</u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Warren County	\$ 991,758	\$ --	\$ 991,758
Virginia State Aid	158,945	--	158,945
The Friends of Samuels Public Library	21,960	--	21,960
Fundraising, net of direct expenses of \$4,942	23,504	--	23,504
Private gifts and grants	29,639	--	29,639
Fines and copier revenue	26,986	--	26,986
(Loss) on disposal of fixed assets	--	--	--
Miscellaneous fees	20,830	--	20,830
Investment income, net	3,760	--	3,760
Total revenues and other support before releases	<u>\$ 1,277,382</u>	<u>\$ --</u>	<u>\$ 1,277,382</u>
Net assets released from restriction	<u>8,562</u>	<u>(8,562)</u>	<u>--</u>
Total revenues and other support	<u>\$ 1,285,944</u>	<u>\$ (8,562)</u>	<u>\$ 1,277,382</u>
Expenses			
Automated systems	\$ 24,027	\$ --	\$ 24,027
Book-related costs	19,601	--	19,601
Books, cassettes, and videos	107,381	--	107,381
Children and adult programs	13,670	--	13,670
Computer hardware and software supplies	21,309	--	21,309
Depreciation	49,222	--	49,222
Insurance	2,921	--	2,921
Interest	1,014	--	1,014
Maintenance service and supplies	66,508	--	66,508
Office equipment and maintenance	52,784	--	52,784
Office expense	14,612	--	14,612
Other expense	60,000	--	60,000
Salaries	697,987	--	697,987
Subscriptions	9,403	--	9,403
Taxes and benefits	180,507	--	180,507
Utilities	84,525	--	84,525
Total expenses	<u>\$ 1,405,471</u>	<u>\$ --</u>	<u>\$ 1,405,471</u>
Change in net assets	<u>\$ (119,527)</u>	<u>\$ (8,562)</u>	<u>\$ (128,089)</u>
Net assets, beginning of year	<u>\$ 1,164,997</u>	<u>\$ 8,562</u>	<u>\$ 1,173,559</u>
Net assets, end of year	<u>\$ 1,045,470</u>	<u>\$ --</u>	<u>\$ 1,045,470</u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Warren County	\$ 979,134	\$ --	\$ 979,134
Virginia State Aid	151,560	--	151,560
The Friends of Samuels Public Library	18,405	--	18,405
Fundraising, less 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	\$ 1,311,832	\$ --	\$ 1,311,832
Net assets released from restriction	6,094	(6,094)	--
Total revenues and other support	\$ 1,317,926	\$ (6,094)	\$ 1,311,832
Expenses			
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	\$ 1,324,739	\$ --	\$ 1,324,739
Change in net assets	\$ (6,813)	\$ (6,094)	\$ (12,907)
Net assets, beginning of year	1,171,810	14,656	1,186,466
Net assets, end of year	\$ 1,164,997	\$ 8,562	\$ 1,173,559

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (128,089)	\$ (12,907)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized loss (gain) on investment securities	20,627	(17,705)
Depreciation	49,222	85,671
Loss on disposal of fixed assets	--	2,929
Changes in assets and liabilities:		
Decrease in prepaid expense	7,754	2,645
(Decrease) increase in accounts payable and accrued expenses	8,364	(5,539)
Net cash (used in) provided by operating activities	\$ (42,122)	\$ 55,094
 Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (3,415)	\$ (58,811)
Proceeds from sale of investments	1,187	--
Purchase of investments	--	(62,015)
Net cash (used in) investing activities	\$ (2,228)	\$ (120,826)
 Cash Flows from Financing Activities		
Proceeds from capital lease receivable	\$ --	\$ 52,062
Proceeds from Paycheck Protection Program note payable	138,700	--
Principal payments on capital lease payable	(6,286)	(6,949)
Principal payments on notes payable	(14,804)	(13,294)
Net cash provided by financing activities	\$ 117,610	\$ 31,819
Net increase (decrease) in cash and cash equivalents	\$ 73,260	\$ (33,913)
 Cash and Cash Equivalents		
Beginning	177,449	211,362
Ending	\$ 250,709	\$ 177,449
 Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 1,014	\$ 720
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.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

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.

Notes to Financial Statements

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.

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 \$49,222 and \$85,671 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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 June 2018, Financial Accounting Standards Board (FASB) issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Library has implemented the provisions of ASU 2018-08 for contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Library's implementation of ASU 2018-08.

Upcoming Accounting Pronouncements

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 Library for its year ended June 30, 2021. The Library 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 Library for its year ended June 30, 2023. Early adoption is permitted. The Library is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

ASU 2018-08 is effective for contributions made by the Library for the year ending June 30, 2021. The Library 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 Library had a surplus of \$968,358 of financial assets available within one year of the statement of financial position 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 statement of financial position date consisted of the following:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 250,709
Accounts receivable	175
Investments	<u>717,474</u>
Total financial assets	<u>\$ 968,358</u>
Less amounts not available to be used within one year:	
Restricted by donors for purpose	<u>\$ --</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 968,358</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:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Cash reserves	\$ 534	\$ 534	\$ 869	\$ 869
Corporate equity securities	416,590	475,354	417,864	498,386
Mutual funds	219,420	236,112	215,176	234,540
Community Foundation	<u>5,000</u>	<u>5,474</u>	<u>5,000</u>	<u>5,494</u>
	<u>\$ 641,544</u>	<u>\$ 717,474</u>	<u>\$ 638,909</u>	<u>\$ 739,289</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, 2020 and 2019:

	2020		
	Level 1	Level 2	Level 3
Cash reserves	\$ 534	\$ --	\$ --
Corporate equity securities	475,354	--	--
Mutual funds	236,112	--	--
Community Foundation	--	5,474	--
	\$ 712,000	\$ 5,474	\$ --
	2019		
	Level 1	Level 2	Level 3
Cash reserves	\$ 869	\$ --	\$ --
Corporate equity securities	498,386	--	--
Mutual funds	234,540	--	--
Community Foundation	--	5,494	--
	\$ 733,795	\$ 5,494	\$ --

Note 7. Land, Buildings and Equipment

At June 30, 2020 and 2019, land, buildings and equipment consisted of the following:

	2020	2019
Building improvements	\$ 121,155	\$ 121,155
Equipment	402,419	414,134
Furniture and fixtures	453,484	453,484
	\$ 977,058	\$ 988,773
Less accumulated depreciation	(700,314)	(666,223)
	\$ 276,744	\$ 322,550

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 years ended June 30, 2020 and 2019 was \$6,636 and \$2,212, respectively.

The following is a summary of property held under the capital lease included in land, buildings and equipment as of June 30, 2020:

Equipment	\$	33,179
Less accumulated depreciation		(8,848)
		\$ 24,331

Minimum future lease payments under the capital lease as of June 30, 2020 for each of the five years and in the aggregate are:

Years Ending June 30:

2021	\$	7,027
2022		7,027
2023		7,027
Less amount representing interest		(1,137)
Present value of minimum lease payments		\$ 19,944

Note 9. Notes Payable

Notes payable at June 30, 2020 and 2019 consisted of the following.

	2020	2019
Note payable to First Bank for PPP loan. See Note 19.	\$ 138,700	\$ --
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.		
	1,150	15,954
	\$ 139,850	\$ 15,954

Aggregate maturities of the notes payable for the year ended June 30, 2021 are \$1,150. The Library may qualify for forgiveness of the Paycheck Protection Program (PPP) loan if certain requirements are met.

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

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

	2020	2019
Collection development	\$ --	\$ --
Issuance of new library cards - Gins Estate	--	8,562
	\$ --	\$ 8,562

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, 2020 and 2019:

	2020	2019
Collection development	\$ --	\$ 5,000
Issuance of new library cards - Gins Estate	8,562	1,094
	\$ 8,562	\$ 6,094

Note 11. Investment Income, Net

Investment income, net consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 28,062	\$ 31,870
Net realized and unrealized (loss) gain	(20,627)	17,705
Investment fees	(3,675)	(3,434)
	\$ 3,760	\$ 46,141

Notes to Financial Statements

Note 12. Schedule of Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2020:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automated systems	\$ 24,027	\$ --	\$ --	\$ 24,027
Book-related costs	19,601	--	--	19,601
Books, cassettes, and videos	107,381	--	--	107,381
Children and adult programs	13,670	--	--	13,670
Computer hardware and software supplies	21,309	--	--	21,309
Depreciation	46,761	2,461	--	49,222
Insurance	2,775	146	--	2,921
Interest	1,014	--	--	1,014
Maintenance service and supplies	66,508	--	--	66,508
Office equipment and maintenance	52,784	--	--	52,784
Office expense	13,881	731	--	14,612
Other expense	39,515	20,485	--	60,000
Salaries	440,759	238,098	19,130	697,987
Subscriptions	9,403	--	--	9,403
Taxes and benefits	113,985	61,575	4,947	180,507
Utilities	80,299	4,226	--	84,525
Total expenses	<u>\$ 1,053,672</u>	<u>\$ 327,722</u>	<u>\$ 24,077</u>	<u>\$ 1,405,471</u>

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

	<u>Program Services</u>	<u>Management 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>

Notes to Financial Statements

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	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

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 \$31,618 and \$31,530 to the plan for the years ending June 30, 2020 and 2019 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.

Notes to Financial Statements

Note 16. Concentration of Credit Risk

The Library's cash accounts 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 \$21,960 and \$18,405 to the Library for the years ended June 30, 2020 and 2019, respectively.

Note 18. Concentration by Major Customers

Contributions from the government of Warren County, Virginia and the Library of Virginia approximate 78% and 12%, respectively, of the total revenue for the year ended June 30, 2020 and 75% and 12%, respectively, for the year ended June 30, 2019. A significant decline in the revenue from the County or the Library of Virginia could negatively impact the operations of the Library.

Note 19. Paycheck Protection Program Note Payable

On March 27, 2020, and as a result of COVID 19, the Coronavirus Aid, Relief and Economic Security Act (or CARES Act) became part of U.S. Law. One of the provisions of the CARES Act is the Paycheck Protection Program (PPP), which is intended to provide loans to businesses to guarantee payroll and other costs to help businesses remain viable and allow their workers to pay their bills. The Library applied for a loan under the Paycheck Protection Program in the amount of \$138,700. The application has been approved and funds have been received in full. The interest rate is 1% with maturity two years from the date of the loan. Loans with a maturity of two years can be extended to five years with the agreement of the lender. Payments are deferred until a determination of the amount of forgiveness is made by the U.S. Small Business Administration (SBA). The Library intends to use PPP proceeds only for eligible payroll expenses and anticipates all PPP proceeds to be forgiven by the SBA. If the borrower does not apply for forgiveness within ten months after the last day of the covered period, payments will be due that month. Interest will accrue on the loan beginning with disbursement.

Note 20. Subsequent Events

The Library has evaluated all events through October 26, 2020, 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.