

SAMUELS LIBRARY, INC.

Front Royal, Virginia

FINANCIAL REPORT

June 30, 2021

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4 and 5
Statements of cash flows	6
Notes to financial statements	7-19



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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, 2021 and 2020, 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, 2021 and 2020, 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 22, 2021

SAMUELS LIBRARY, INC.

Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 139,286	\$ 250,709
Accounts receivable	175	175
Prepaid expense	15,812	--
Investments	984,154	717,474
Land, buildings and equipment, net	<u>280,595</u>	<u>276,744</u>
 Total assets	 <u>\$ 1,420,022</u>	 <u>\$ 1,245,102</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 28,439	\$ 39,838
Capital lease payable, current portion	7,027	7,027
Note payable, current maturities	--	1,150
Total current liabilities	<u>\$ 35,466</u>	<u>\$ 48,015</u>
 Long-Term Liabilities		
Capital lease payable, net of current portion	\$ 12,917	\$ 12,917
Paycheck Protection Program note payable	--	138,700
Total long-term liabilities	<u>\$ 12,917</u>	<u>\$ 151,617</u>
 Total liabilities	 <u>\$ 48,383</u>	 <u>\$ 199,632</u>
 Net Assets		
Without donor restrictions	\$ 1,351,639	\$ 1,045,470
With donor restrictions	20,000	--
Total net assets	<u>\$ 1,371,639</u>	<u>\$ 1,045,470</u>
 Total liabilities and net assets	 <u>\$ 1,420,022</u>	 <u>\$ 1,245,102</u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Warren County	\$ 1,003,087	\$ --	\$ 1,003,087
Virginia State Aid	173,952	--	173,952
Government grant - Paycheck Protection Program	138,700	--	138,700
The Friends of Samuels Public Library	10,087	--	10,087
Fundraising, net of direct expenses of \$1,645	17,970	--	17,970
Private gifts and grants	79,775	20,000	99,775
Fines and copier revenue	12,726	--	12,726
Miscellaneous fees	21,218	--	21,218
Investment income, net	227,351	--	227,351
Total revenues and other support before releases	\$ 1,684,866	\$ 20,000	\$ 1,704,866
Net assets released from restriction	--	--	--
Total revenues and other support	\$ 1,684,866	\$ 20,000	\$ 1,704,866
Expenses			
Automated systems	\$ 30,016	\$ --	\$ 30,016
Book-related costs	21,228	--	21,228
Books, cassettes, and videos	117,720	--	117,720
Children and adult programs	12,844	--	12,844
Computer hardware and software supplies	30,583	--	30,583
Depreciation	50,495	--	50,495
Insurance	7,176	--	7,176
Interest	2	--	2
Maintenance service and supplies	73,941	--	73,941
Office equipment and maintenance	40,235	--	40,235
Office expense	13,714	--	13,714
Other expense	32,475	--	32,475
Salaries	695,759	--	695,759
Subscriptions	6,971	--	6,971
Taxes and benefits	171,051	--	171,051
Utilities	74,487	--	74,487
Total expenses	\$ 1,378,697	\$ --	\$ 1,378,697
Change in net assets	\$ 306,169	\$ 20,000	\$ 326,169
Net assets, beginning of year	\$ 1,045,470	\$ --	\$ 1,045,470
Net assets, end of year	\$ 1,351,639	\$ 20,000	\$ 1,371,639

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2020

	2020		Totals
	Without Donor Restrictions	With Donor Restrictions	
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, less 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	<u>3,760</u>	<u>--</u>	<u>3,760</u>
Total revenues and other support before releases	\$ 1,277,382	\$ --	\$ 1,277,382
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	<u>84,525</u>	<u>--</u>	<u>84,525</u>
Total expenses	<u>\$ 1,405,471</u>	<u>\$ --</u>	<u>\$ 1,405,471</u>
Change in net assets	\$ (119,527)	\$ (8,562)	\$ (128,089)
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.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 326,169	\$ (128,089)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investment securities	(201,669)	20,627
Depreciation	50,495	49,222
Foregiveness of Paycheck Protection Program note payable	(138,700)	--
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	(15,812)	7,754
(Decrease) increase in accounts payable and accrued expenses	(11,399)	8,364
Net cash provided by (used in) operating activities	\$ 9,084	\$ (42,122)
 Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (54,346)	\$ (3,415)
Proceeds from sale of investments	7,014	1,187
Purchase of investments	(72,025)	--
Net cash (used in) investing activities	\$ (119,357)	\$ (2,228)
 Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program note payable	\$ --	\$ 138,700
Principal payments on capital lease payable	--	(6,286)
Principal payments on notes payable	(1,150)	(14,804)
Net cash (used in) provided by financing activities	\$ (1,150)	\$ 117,610
 Net (decrease) increase in cash and cash equivalents	\$ (111,423)	\$ 73,260
 Cash and Cash Equivalents		
Beginning	250,709	177,449
Ending	\$ 139,286	\$ 250,709
 Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 2	\$ 1,014

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.

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.

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.

Notes to Financial Statements

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 \$50,495 and \$49,222 for the years ended June 30, 2021 and 2020, respectively.

Revenue Recognition

For exchange transactions, the Library recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocation the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded. The Library does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2021 or 2020.

Revenue Recognition Methodology for Contributions and Grants

Contributions and grants are recognized when received or unconditionally promised. Contributions and grants are recognized as restricted 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 statements 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.

Notes to Financial Statements

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met.

Revenue Streams

The Library receives funding from the County as well as the state for operations in the form of grants. These grants are unconditional and are recognized as revenue when received.

Fundraising income totaled \$19,615 and \$28,446 as of June 30, 2021 and 2020, respectively. Sponsorships, included in fundraising event income, totaled \$0 and \$4,000 as of June 30, 2021 and 2020, respectively. Performance obligations for fundraising income include ticket sales in the amount of \$7,100 for the year ended June 30, 2020. No events were held in fiscal year 2021 due to COVID-19. The Library recognizes revenue from ticket sales at the time of admission.

Other revenue includes fines and copier revenue, miscellaneous fees, and investment income. Fines and copier revenue is recognized at a point in time, when the fine is incurred or the goods are provided to the buyer. Miscellaneous fees are recognized at a point in time, at the time of purchase or when costs are incurred if reimbursement basis.

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, 2021 and 2020, 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 not described above arise in the ordinary course of business and approximate their fair value.

Notes to Financial Statements

New Accounting Pronouncements

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 made. The Library has implemented the provisions of ASU 2018-08 for contributions made 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.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update replaced most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative transition method. ASU 2014-09 was effective for the Library for the year ended June 30, 2021. The adoption of Topic 606 did not have a material impact on the financial statements.

Upcoming Accounting Pronouncements

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 No. 2016-02 defines a lease as a contract or 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 the lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 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.

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU 2020-07 is effective for the Library for its year ended June 30, 2022. Early adoption is permitted. The Library is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Notes to Financial Statements

Note 3. Liquidity and Availability

The Library had a surplus of \$1,048,615 of financial assets available within one year of the statement of financial position date at June 30, 2021 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:

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	\$ 139,286	\$ 250,709
Accounts receivable	175	175
Investments	984,154	717,474
Total financial assets	\$ 1,123,615	\$ 968,358
Less amounts not available to be used within one year:		
Restricted by donors for purpose	\$ 20,000	\$ --
Board designated endowment	55,000	--
	\$ 75,000	\$ --
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,048,615	\$ 968,358

Note 4. Investments

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

	2021		2020	
	Cost	Market Value	Cost	Market Value
Cash reserves	\$ 587	\$ 587	\$ 534	\$ 534
Equities	451,565	733,330	416,590	475,354
Fixed income	246,074	243,317	219,420	236,112
Community Foundation	5,000	6,920	5,000	5,474
	\$ 703,226	\$ 984,154	\$ 641,544	\$ 717,474

Notes to Financial Statements

Note 5. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value as of June 30, 2021 and 2020:

	2021		
	Level 1	Level 2	Level 3
Cash reserves	\$ 587	\$ --	\$ --
Equities	733,330	--	--
Fixed income	243,317	--	--
Community Foundation	--	6,920	--
	\$ 977,234	\$ 6,920	\$ --
	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	\$ --

Note 6. Land, Buildings and Equipment

At June 30, 2021 and 2020, land, buildings and equipment consisted of the following:

	2021	2020
Building improvements	\$ 121,155	\$ 121,155
Equipment	428,946	402,419
Furniture and fixtures	451,057	453,484
	\$ 1,001,158	\$ 977,058
Less accumulated depreciation	(720,563)	(700,314)
	\$ 280,595	\$ 276,744

Notes to Financial Statements

Note 7. 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, 2024. 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, 2021 and 2020 was \$6,636 for both years.

The following is a summary of property held under the capital lease included in land, buildings and equipment as of June 30, 2021 and 2020:

	2021	2020
Equipment	\$ 33,179	\$ 33,179
Less accumulated depreciation	(15,484)	(8,848)
	<u>\$ 17,695</u>	<u>\$ 24,331</u>

Minimum future lease payments under the capital lease as of June 30, 2021 for each of the five years and in the aggregate are:

Years Ending June 30:

2022	\$ 7,027
2023	7,027
2024	7,027
Less amount representing interest	(1,137)
Present value of minimum lease payments	<u>\$ 19,944</u>

Note 8. Notes Payable

Notes payable at June 30, 2021 and 2020 consisted of the following.

	2021	2020
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% that matured and was paid off July 2020.	--	1,150
	<u>\$ --</u>	<u>\$ 139,850</u>

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions

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

	2021	2020
Amphitheater	\$ 20,000	\$ --
	\$ 20,000	\$ --

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, 2021 and 2020:

	2021	2020
Amphitheater	\$ --	\$ --
Issuance of new library cards - Gins Estate	--	8,562
	\$ --	\$ 8,562

Note 10. Endowment

The Library's endowment includes funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund not classified in the perpetual endowment is classified as subject to endowment spending and appropriation until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Library and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of the investments
- 6) Other resources
- 7) The investment policies of the organization

Notes to Financial Statements

The objective of the portfolio of investments of the Endowment Funds is to achieve the best possible rate of growth in the Endowment Funds with a low to moderate level of total risk. The portfolio will be evaluated in terms of total return, be it from income, appreciation of investments or a combination of both. The finance committee sets the allocation of assets between fixed income and equity. The goal of the portfolio is to have a diversification of companies in which it holds investments, as well as, diversified both by asset class and within asset class.

The Library is currently developing the spending policy of the Endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or UPMIFA requires the Library to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in net assets with donor restrictions as of June 30, 2021.

Endowment net asset class composition by type of fund as of June 30, 2021 were all board designated and without donor restrictions.

Changes in endowment net asset classes for the fiscal year ended June 30, 2021 were as follows:

	Without Donor Restrictions
Endowment net assets, beginning of year	\$ --
Contributions	--
Transfers	<u>55,000</u>
Endowment net assets, end of year	<u>\$ 55,000</u>

Note 11. Investment Income, Net

Investment income, net consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 26,919	\$ 28,062
Net realized and unrealized gain (loss)	201,669	(20,627)
Investment fees	<u>(1,237)</u>	<u>(3,675)</u>
	<u>\$ 227,351</u>	<u>\$ 3,760</u>

Note 12. Schedule of Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2021:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automated systems	\$ 30,016	\$ --	\$ --	\$ 30,016
Book-related costs	21,228	--	--	21,228
Books, cassettes, and videos	117,720	--	--	117,720
Children and adult programs	12,844	--	--	12,844
Computer hardware and software supplies	30,583	--	--	30,583
Depreciation	47,970	2,525	--	50,495
Insurance	6,817	359	--	7,176
Interest	2	--	--	2
Maintenance service and supplies	73,941	--	--	73,941
Office equipment and maintenance	40,235	--	--	40,235
Office expense	13,028	686	--	13,714
Other expense	30,851	1,624	--	32,475
Salaries	467,865	209,127	18,767	695,759
Subscriptions	6,971	--	--	6,971
Taxes and benefits	115,024	51,413	4,614	171,051
Utilities	70,763	3,724	--	74,487
Total expenses	<u>\$ 1,085,859</u>	<u>\$ 269,457</u>	<u>\$ 23,381</u>	<u>\$ 1,378,697</u>

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>

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
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 \$27,427 and \$31,618 to the plan for the years ending June 30, 2021 and 2020 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 \$10,087 and \$21,960 to the Library for the years ended June 30, 2021 and 2020, respectively.

Note 18. Concentration by Major Customers

Contributions from the government of Warren County, Virginia and the Library of Virginia approximate 68% and 12%, respectively, of the total gifts and fees for the year ended June 30, 2021 and 78% and 12%, respectively, for the year ended June 30, 2020. 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 received an uncollateralized loan in the amount of \$138,700 through the Paycheck Protection Program in fiscal year 2020. The interest rate on the loan was 1% with maturity two years from the date of the loan. Payments were deferred until a determination of the amount of forgiveness is made by the U.S. Small Business Administration (SBA). The Library received forgiveness on April 14, 2021 and the loan was recognized as revenue in the statement of activities for the year ended June 30, 2021.

Note 20. Subsequent Events

The Library has evaluated all events through October 22, 2021, the date the financial statements were available to be issued. The Library has determined there are no subsequent events that require recognition of disclosure.