

SAMUELS LIBRARY, INC.

Front Royal, Virginia

FINANCIAL REPORT

June 30, 2023

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	7-20



50 S. Cameron St,
Winchester, VA 22601

540.662.3417

YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Samuels Library, Inc. (the Library) which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and cash flows for the years ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 12, 2023

SAMUELS LIBRARY, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 84,174	\$ 125,324
Accounts receivable	175	175
Pledges receivable	5,125	--
Prepaid expense	12,487	12,822
Investments	946,906	890,505
Land, buildings and equipment, net	<u>287,737</u>	<u>230,116</u>
 Total assets	 <u>\$ 1,336,604</u>	 <u>\$ 1,258,942</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 48,811	\$ 24,851
Capital lease payable, current portion	<u>--</u>	<u>6,834</u>
Total current liabilities	<u>\$ 48,811</u>	<u>\$ 31,685</u>
 Net Assets		
Without donor restrictions	\$ 1,252,568	\$ 1,197,157
With donor restrictions	<u>35,225</u>	<u>30,100</u>
Total net assets	<u>\$ 1,287,793</u>	<u>\$ 1,227,257</u>
 Total liabilities and net assets	 <u>\$ 1,336,604</u>	 <u>\$ 1,258,942</u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Warren County	\$ 1,024,000	\$ --	\$ 1,024,000
Virginia State Aid	196,513	--	196,513
The Friends of Samuels Public Library	16,490	--	16,490
Fundraising, net of direct expenses of \$19,377	30,147	--	30,147
Private gifts and grants	54,367	10,250	64,617
In-kind contributions	24,513	--	24,513
Fines and copier revenue	22,371	--	22,371
Miscellaneous fees	20,444	--	20,444
Loss on disposal of assets	(9,021)	--	(9,021)
Investment income, net	83,522	--	83,522
Total revenues and other support before releases	\$ 1,463,346	\$ 10,250	\$ 1,473,596
Net assets released from restriction	5,125	(5,125)	--
Total revenues and other support	\$ 1,468,471	\$ 5,125	\$ 1,473,596
Expenses			
Automated systems	\$ 10,073	\$ --	\$ 10,073
Book-related costs	17,795	--	17,795
Books, cassettes, and videos	100,170	--	100,170
Children and adult programs	29,629	--	29,629
Computer hardware and software supplies	25,374	--	25,374
Depreciation	56,306	--	56,306
Insurance	5,969	--	5,969
Maintenance service and supplies	78,887	--	78,887
Office equipment and maintenance	23,228	--	23,228
Office expense	20,143	--	20,143
Other expense	40,341	--	40,341
Professional services	11,968	--	11,968
Salaries	704,858	--	704,858
Subscriptions	6,824	--	6,824
Taxes and benefits	194,635	--	194,635
Utilities	86,860	--	86,860
Total expenses	\$ 1,413,060	\$ --	\$ 1,413,060
Change in net assets	\$ 55,411	\$ 5,125	\$ 60,536
Net assets, beginning of year	1,197,157	30,100	1,227,257
Net assets, end of year	\$ 1,252,568	\$ 35,225	\$ 1,287,793

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2022

	2022		Totals
	Without Donor Restrictions	With Donor Restrictions	
Revenues and Other Support			
Warren County	\$ 1,003,100	\$ --	\$ 1,003,100
Virginia State Aid	173,220	--	173,220
The Friends of Samuels Public Library	22,115	--	22,115
Fundraising, net of direct expenses of \$15,504	23,096	--	23,096
Private gifts and grants	62,519	10,100	72,619
In-kind contributions	13,407	--	13,407
Fines and copier revenue	20,813	--	20,813
Miscellaneous fees	19,908	--	19,908
Investment income, net	(119,159)	--	(119,159)
Total revenues and other support before releases	\$ 1,219,019	\$ 10,100	\$ 1,229,119
Net assets released from restriction	--	--	--
Total revenues and other support	\$ 1,219,019	\$ 10,100	\$ 1,229,119
Expenses			
Automated systems	\$ 13,575	\$ --	\$ 13,575
Book-related costs	16,061	--	16,061
Books, cassettes, and videos	121,197	--	121,197
Children and adult programs	19,964	--	19,964
Computer hardware and software supplies	35,708	--	35,708
Depreciation	55,541	--	55,541
Insurance	6,035	--	6,035
Interest	945	--	945
Maintenance service and supplies	78,303	--	78,303
Office equipment and maintenance	17,436	--	17,436
Office expense	17,563	--	17,563
Other expense	43,111	--	43,111
Salaries	699,467	--	699,467
Subscriptions	5,701	--	5,701
Taxes and benefits	159,515	--	159,515
Utilities	83,379	--	83,379
Total expenses	\$ 1,373,501	\$ --	\$ 1,373,501
Change in net assets	\$ (154,482)	\$ 10,100	\$ (144,382)
Net assets, beginning of year	1,351,639	20,000	1,371,639
Net assets, end of year	\$ 1,197,157	\$ 30,100	\$ 1,227,257

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 60,536	\$ (144,382)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investment securities	(54,574)	146,234
Loss on disposal of assets	9,021	--
Depreciation	56,306	55,541
Changes in assets and liabilities:		
Decrease in prepaid expense	335	2,990
(Increase) in pledges receivable	(5,125)	--
Increase (decrease) in accounts payable and accrued expenses	23,960	(3,588)
Net cash provided by operating activities	\$ 90,459	\$ 56,795
 Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (122,948)	\$ (5,062)
Proceeds from sale of investments	194,775	45,454
Purchase of investments	(196,602)	(98,039)
Net cash (used in) investing activities	\$ (124,775)	\$ (57,647)
 Cash Flows from Financing Activities, principal payments on capital lease payable	\$ (6,834)	\$ (13,110)
Net (decrease) in cash and cash equivalents	\$ (41,150)	\$ (13,962)
 Cash and Cash Equivalents		
Beginning	125,324	139,286
Ending	\$ 84,174	\$ 125,324
 Supplemental Disclosures of Cash Flow Information, cash paid for interest	\$ --	\$ 945

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.

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.

Land, Buildings, and Equipment

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 \$56,306 and \$55,541 for the years ended June 30, 2023 and 2022, respectively.

Notes to Financial Statements

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
- Allocate 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, 2023 or 2022.

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.

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 \$49,524 and \$38,600 for the years ended June 30, 2023 and 2022, respectively. Sponsorships, included in fundraising event income, totaled \$12,550 and \$11,640 for year ended June 30, 2023 and 2022. Performance obligations for fundraising income include ticket sales in the amount of \$8,240 and \$6,975 for the year ended June 30, 2023 and 2022. The Library recognizes revenue from ticket sales at the time of admission.

Notes to Financial Statements

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.

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.

Notes to Financial Statements

For the fiscal years ended June 30, 2023 and 2022, 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.

Recently Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Library adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Library has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Library's historical accounting treatment under ASC Topic 840, Leases.

The Library elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Library does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Library has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Library determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Library obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Library also considers whether its service arrangements include the right to control the use of an asset.

Notes to Financial Statements

The Library made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Library made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded as variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Library has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Library, such as common area maintenance for real estate, which are variable in nature and recorded as variable lease expense in the period incurred.

Adoption of Topic 842 did not result in the recording of ROU assets and lease liabilities at July 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Notes to Financial Statements

Note 3. Liquidity and Availability

The Library had a surplus of \$944,635 of financial assets available within one year of the statement of financial position date at June 30, 2023 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:

	2023	2022
Financial assets, at year-end:		
Cash and cash equivalents	\$ 84,174	\$ 125,324
Accounts receivable	175	175
Pledges receivable	5,125	--
Investments	946,906	890,505
Total financial assets	\$ 1,036,380	\$ 1,016,004
Less amounts not available to be used within one year:		
Restricted by donors for purpose	\$ 35,225	\$ 30,100
Board designated endowment	56,520	55,000
	\$ 91,745	\$ 85,100
Financial assets available to meet cash needs for general expenditures within one year	\$ 944,635	\$ 930,904

Note 4. Investments

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

	2023		2022	
	Cost	Market Value	Cost	Market Value
Cash reserves	\$ 3,181	\$ 3,181	\$ 68,737	\$ 68,737
Equities	468,138	657,397	459,533	600,384
Fixed income	293,086	279,898	238,395	215,298
Community Foundation	5,000	6,430	5,000	6,086
	\$ 769,405	\$ 946,906	\$ 771,665	\$ 890,505

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, 2023 and 2022:

	2023		
	Level 1	Level 2	Level 3
Cash reserves	\$ 3,181	\$ --	\$ --
Equities	657,397	--	--
Fixed income	279,898	--	--
Community Foundation	--	6,430	--
	\$ 940,476	\$ 6,430	\$ --

	2022		
	Level 1	Level 2	Level 3
Cash reserves	\$ 68,737	\$ --	\$ --
Equities	600,384	--	--
Fixed income	215,298	--	--
Community Foundation	--	6,086	--
	\$ 884,419	\$ 6,086	\$ --

Note 6. Land, Buildings and Equipment

At June 30, 2023 and 2022, land, buildings and equipment consisted of the following:

	2023	2022
Building improvements	\$ 139,918	\$ 121,155
Equipment	463,641	425,328
Furniture and fixtures	479,453	450,797
	\$ 1,083,012	\$ 997,280
Less accumulated depreciation	(795,275)	(767,164)
	\$ 287,737	\$ 230,116

Notes to Financial Statements

Note 7. Leases

On January 22, 2008, the Library signed a lease with the County of Warren, Virginia commencing January 1, 2008 for use as a public library. The lease is in effect for thirty years with annual rent of one dollar. The lease shall be automatically renewed for an additional ten years unless terminated by either party 12 months prior to the end of the term.

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, 2023 and 2022 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, 2023 and 2022:

	2023	2022
Equipment	\$ 33,179	\$ 33,179
Less accumulated depreciation	(28,756)	(22,120)
	<u>\$ 4,423</u>	<u>\$ 11,059</u>

These leases are either short-term in nature or insignificant resulting in no right-of-use asset or right-of-use liability reflected in the accompanying statement of financial position.

Note 8. Net Assets With Donor Restrictions

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

	2023	2022
Time restriction	\$ 5,125	\$ --
Amphitheater	30,100	30,100
	<u>\$ 35,225</u>	<u>\$ 30,100</u>

Net assets released from donor restrictions were \$5,125 for the year ended June 30, 2023, by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors. There were no net assets released from donors restrictions for the year ended June 30, 2022.

Notes to Financial Statements

Note 9. 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

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, 2023 and 2022.

Endowment net asset class composition by type of fund as of June 30, 2023 and 2022 were all board designated and without donor restrictions.

Notes to Financial Statements

Changes in endowment net asset classes for the fiscal years ended June 30, 2023 and 2022 were as follows:

	2023	2022
	Without Donor Restrictions	Without Donor Restrictions
Endowment net assets, beginning of year	\$ 55,000	\$ 55,000
Contributions	--	--
Investment return, net	1,520	--
Transfers	--	--
Endowment net assets, end of year	\$ 56,520	\$ 55,000

Note 10. Investment Income, Net

Investment income, net consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 33,393	\$ 32,257
Net realized and unrealized (loss) gain	54,574	(146,234)
Investment fees	(4,445)	(5,182)
	\$ 83,522	\$ (119,159)

Notes to Financial Statements

Note 11. Schedule of Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2023:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automated systems	\$ 10,073	\$ --	\$ --	\$ 10,073
Book-related costs	17,795	--	--	17,795
Books, cassettes, and videos	100,170	--	--	100,170
Children and adult programs	29,629	--	--	29,629
Computer hardware and software supplies	25,374	--	--	25,374
Depreciation	53,491	2,815	--	56,306
Insurance	5,671	298	--	5,969
Maintenance service and supplies	78,887	--	--	78,887
Office equipment and maintenance	23,228	--	--	23,228
Office expense	19,136	1,007	--	20,143
Other expense	26,932	13,409	--	40,341
Professional services	--	11,968	--	11,968
Salaries	449,129	236,549	19,180	704,858
Subscriptions	6,824	--	--	6,824
Taxes and benefits	124,020	65,319	5,296	194,635
Utilities	82,517	4,343	--	86,860
Total expenses	<u>\$ 1,052,876</u>	<u>\$ 335,708</u>	<u>\$ 24,476</u>	<u>\$ 1,413,060</u>

Expenses by function and natural classification for the year ended June 30, 2022:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automated systems	\$ 13,575	\$ --	\$ --	\$ 13,575
Book-related costs	16,061	--	--	16,061
Books, cassettes, and videos	121,197	--	--	121,197
Children and adult programs	19,964	--	--	19,964
Computer hardware and software supplies	35,708	--	--	35,708
Depreciation	52,764	2,777	--	55,541
Insurance	5,733	302	--	6,035
Interest	945	--	--	945
Maintenance service and supplies	78,303	--	--	78,303
Office equipment and maintenance	17,436	--	--	17,436
Office expense	16,685	878	--	17,563
Other expense	29,956	13,155	--	43,111
Salaries	476,697	203,886	18,884	699,467
Subscriptions	5,701	--	--	5,701
Taxes and benefits	108,712	46,497	4,306	159,515
Utilities	79,210	4,169	--	83,379
Total expenses	<u>\$ 1,078,647</u>	<u>\$ 271,664</u>	<u>\$ 23,190</u>	<u>\$ 1,373,501</u>

Notes to Financial Statements

Note 12. 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
Professional services	Direct allocation
Salaries	Time and effort
Subscriptions	Direct allocation
Taxes and benefits	Time and effort
Utilities	Direct allocation and time and effort

Note 13. 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 \$33,006 and \$31,704 to the plan for the years ending June 30, 2023 and 2022 respectively.

Note 14. Contributed Nonfinancial Assets

Contributed nonfinancial assets include advertising, donated gifts cards and prizes, food and other items and silent auction items which are recorded at the respective fair values of the good and services received. Contributed goods are recorded at fair value at the date of the donation.

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.

Notes to Financial Statements

In addition to contributed nonfinancial assets, 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.

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2023</u>	<u>2022</u>
Advertising	\$ 6,603	\$ 5,603
Gift cards and prizes	1,344	984
Food and other	849	2,132
Amphitheater services	11,132	--
Silent auction	4,585	4,688
	<u>\$ 24,513</u>	<u>\$ 13,407</u>

Contributed advertising and amphitheater services are valued based on the services determined by the donor. Contributed gift cards, prizes, food and other are valued using estimated fair market value of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Donated silent auction items were valued at the sale price received during the auction on the date of the event.

Note 15. 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 16. 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 \$16,490 and \$22,115 to the Library for the years ended June 30, 2023 and 2022, respectively.

Note 17. Concentration by Major Customers

Contributions from the government of Warren County, Virginia and the Library of Virginia approximate 69% and 14%, respectively, of the total gifts and fees for the year ended June 30, 2023 and 74% and 13%, respectively, for the year ended June 30, 2022. A significant decline in the revenue from the County or the Library of Virginia could negatively impact the operations of the Library.

Notes to Financial Statements

Note 18. Subsequent Events

The Library has evaluated all events through October 12, 2023, the date the financial statements were available to be issued. The Library has determined there are no subsequent events that require recognition or disclosure.