

SAMUELS LIBRARY, INC.

Front Royal, Virginia

FINANCIAL REPORT

June 30, 2024

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

Opinion

We have audited the financial statements of Samuels Library, Inc. (the Library) which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Samuels Library, Inc. as of June 30, 2024 and 2023, 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 the 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.

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
October 31, 2024

SAMUELS LIBRARY, INC.

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	\$ 546,270	\$ 84,174
Accounts receivable	175	175
Pledges receivable	- -	5,125
Prepaid expenses	21,179	12,487
Investments	1,033,404	946,906
Land, buildings and equipment, net	<u>357,901</u>	<u>287,737</u>
 Total assets	 <u>\$ 1,958,929</u>	 <u>\$ 1,336,604</u>
 Liabilities and Net Assets		
 Current Liabilities , accounts payable and accrued expenses	 <u>\$ 64,262</u>	 <u>\$ 48,811</u>
 Net Assets		
Without donor restrictions	\$ 1,457,878	\$ 1,252,568
With donor restrictions	<u>436,789</u>	<u>35,225</u>
Total net assets	<u>\$ 1,894,667</u>	<u>\$ 1,287,793</u>
 Total liabilities and net assets	 <u><u>\$ 1,958,929</u></u>	 <u><u>\$ 1,336,604</u></u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statement of Activities
For the Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Warren County	\$ 1,024,000	\$ --	\$ 1,024,000
Virginia State Aid	231,561	--	231,561
The Friends of Samuels Public Library	40,500	--	40,500
Fundraising, net of direct expenses of \$19,735	45,020	--	45,020
Private gifts and grants	127,200	511,000	638,200
Contributed nonfinancial assets	19,733	--	19,733
Fines and copier revenue	20,551	--	20,551
Miscellaneous fees	14,143	--	14,143
Loss on disposal of assets	(1,206)	--	(1,206)
Investment income, net	118,511	--	118,511
Total revenues and other support before releases	\$ 1,640,013	\$ 511,000	\$ 2,151,013
Net assets released from restriction	109,436	(109,436)	--
Total revenues and other support	<u>\$ 1,749,449</u>	<u>\$ 401,564</u>	<u>\$ 2,151,013</u>
Expenses			
Automated systems	\$ 51,468	\$ --	\$ 51,468
Book-related costs	16,118	--	16,118
Books, cassettes, and videos	108,859	--	108,859
Children and adult programs	21,720	--	21,720
Computer hardware and software supplies	28,734	--	28,734
Depreciation	56,426	--	56,426
Insurance	6,217	--	6,217
Maintenance service and supplies	72,477	--	72,477
Office equipment and maintenance	46,283	--	46,283
Office expense	21,294	--	21,294
Other expense	47,272	--	47,272
Professional services	41,956	--	41,956
Salaries	739,593	--	739,593
Subscriptions	4,996	--	4,996
Taxes and benefits	193,665	--	193,665
Utilities	87,061	--	87,061
Total expenses	<u>\$ 1,544,139</u>	<u>\$ --</u>	<u>\$ 1,544,139</u>
Change in net assets	\$ 205,310	\$ 401,564	\$ 606,874
Net assets, beginning of year	<u>1,252,568</u>	<u>35,225</u>	<u>1,287,793</u>
Net assets, end of year	<u><u>\$ 1,457,878</u></u>	<u><u>\$ 436,789</u></u>	<u><u>\$ 1,894,667</u></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
Contributed nonfinancial assets	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	<u>83,522</u>	<u>--</u>	<u>83,522</u>
Total revenues and other support before releases	\$ 1,463,346	\$ 10,250	\$ 1,473,596
Net assets released from restriction	<u>5,125</u>	<u>(5,125)</u>	<u>--</u>
Total revenues and other support	<u>\$ 1,468,471</u>	<u>\$ 5,125</u>	<u>\$ 1,473,596</u>
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	<u>86,860</u>	<u>--</u>	<u>86,860</u>
Total expenses	<u>\$ 1,413,060</u>	<u>\$ --</u>	<u>\$ 1,413,060</u>
Change in net assets	\$ 55,411	\$ 5,125	\$ 60,536
Net assets, beginning of year	<u>1,197,157</u>	<u>30,100</u>	<u>1,227,257</u>
Net assets, end of year	<u><u>\$ 1,252,568</u></u>	<u><u>\$ 35,225</u></u>	<u><u>\$ 1,287,793</u></u>

See Notes to Financial Statements.

SAMUELS LIBRARY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 606,874	\$ 60,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) on investment securities	(81,671)	(54,574)
Loss on disposal of assets	1,206	9,021
Depreciation	56,426	56,306
Changes in assets and liabilities:		
(Increase) decrease in prepaid expense	(8,692)	335
Decrease (increase) in pledges receivable	5,125	(5,125)
Increase in accounts payable and accrued expenses	<u>15,451</u>	<u>23,960</u>
Net cash provided by operating activities	<u>\$ 594,719</u>	<u>\$ 90,459</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (127,796)	\$ (122,948)
Proceeds from sale of investments	56,519	194,775
Purchase of investments	<u>(61,346)</u>	<u>(196,602)</u>
Net cash (used in) investing activities	<u>\$ (132,623)</u>	<u>\$ (124,775)</u>
Cash Flows from Financing Activities,		
principal payments on capital lease payable	<u>\$ - -</u>	<u>\$ (6,834)</u>
Net increase (decrease) in cash and cash equivalents	\$ 462,096	\$ (41,150)
Cash and Cash Equivalents		
Beginning	<u>84,174</u>	<u>125,324</u>
Ending	<u><u>\$ 546,270</u></u>	<u><u>\$ 84,174</u></u>

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 \$56,426 and \$56,306 for the years ended June 30, 2024 and 2023, 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, 2024 or 2023.

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 \$64,755 and \$49,524 for the years ended June 30, 2024 and 2023, respectively. Sponsorships, included in fundraising event income, totaled \$4,000 and \$12,550 for years ended June 30, 2024 and 2023. Performance obligations for fundraising income include ticket sales in the amount of \$10,645 and \$8,240 for the years ended June 30, 2024 and 2023. 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, 2024 and 2023, 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 Pronouncement

The Library adopted ASC 326, Financial Instruments--Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include accounts receivable. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements.

Note 3. Liquidity and Availability

The Library had a surplus of \$1,078,385 of financial assets available within one year of the statement of financial position date at June 30, 2024 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:

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 546,270	\$ 84,174
Accounts receivable	175	175
Pledges receivable	--	5,125
Investments	<u>1,033,404</u>	<u>946,906</u>
Total financial assets	<u>\$ 1,579,849</u>	<u>\$ 1,036,380</u>
Less amounts not available to be used within one year:		
Restricted by donors for purpose	\$ 436,789	\$ 35,225
Board designated endowment	<u>64,675</u>	<u>56,520</u>
	<u>\$ 501,464</u>	<u>\$ 91,745</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,078,385</u>	<u>\$ 944,635</u>

Notes to Financial Statements

Note 4. Investments

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

	2024		2023	
	Cost	Market Value	Cost	Market Value
Cash reserves	\$ 40,762	\$ 40,762	\$ 3,181	\$ 3,181
Equities	469,404	737,745	468,138	657,397
Fixed income	259,021	248,078	293,086	279,898
Community Foundation	5,000	6,819	5,000	6,430
	<u>\$ 774,187</u>	<u>\$ 1,033,404</u>	<u>\$ 769,405</u>	<u>\$ 946,906</u>

Note 5. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value as of June 30, 2024 and 2023:

	2024		
	Level 1	Level 2	Level 3
Cash reserves	\$ 40,762	\$ --	\$ --
Equities	737,745	--	--
Fixed income	248,078	--	--
Community Foundation	--	6,819	--
	<u>\$ 1,026,585</u>	<u>\$ 6,819</u>	<u>\$ --</u>

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

Notes to Financial Statements

Note 6. Land, Buildings and Equipment

At June 30, 2024 and 2023, land, buildings and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Building improvements	\$ 156,684	\$ 139,918
Equipment	529,400	463,641
Furniture and fixtures	<u>509,970</u>	<u>479,453</u>
	\$ 1,196,054	\$ 1,083,012
Less accumulated depreciation	<u>(838,153)</u>	<u>(795,275)</u>
	<u><u>\$ 357,901</u></u>	<u><u>\$ 287,737</u></u>

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, 2024 and 2023 was \$4,423 and \$6,636, respectively.

The following is a summary of property held under the capital lease included in land, buildings and equipment as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 33,179	\$ 33,179
Less accumulated depreciation	<u>(33,179)</u>	<u>(28,756)</u>
	<u><u>\$ - -</u></u>	<u><u>\$ 4,423</u></u>

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Memory Lab & Makerspace	\$ 395,689	\$ --
Time restriction	--	5,125
Amphitheater	30,100	30,100
Staff breakroom and attire	2,500	--
Hoopla	2,000	--
Library programs	6,500	--
	<u>\$ 436,789</u>	<u>\$ 35,225</u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Time restriction	\$ 5,125	\$ 5,125
Memory Lab & Makerspace	104,311	--
	<u>\$ 109,436</u>	<u>\$ 5,125</u>

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.

Notes to Financial Statements

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, 2024 and 2023.

Endowment net asset class composition by type of fund as of June 30, 2024 and 2023 were all board designated and without donor restrictions.

Changes in endowment net asset classes for the fiscal years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
	<u>Without Donor</u> <u>Restrictions</u>	<u>Without Donor</u> <u>Restrictions</u>
Endowment net assets, beginning of year	\$ 56,520	\$ 55,000
Contributions	--	--
Investment return, net	8,155	1,520
Transfers	<u>--</u>	<u>--</u>
Endowment net assets, end of year	<u>\$ 64,675</u>	<u>\$ 56,520</u>

Notes to Financial Statements

Note 10. Investment Income, Net

Investment income, net consisted of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 41,435	\$ 33,393
Net realized and unrealized gain	81,671	54,574
Investment fees	(4,595)	(4,445)
	<u>\$ 118,511</u>	<u>\$ 83,522</u>

Note 11. Schedule of Functional Expenses

Expenses by function and natural classification for the year ended June 30, 2024:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automated systems	\$ 51,468	\$ --	\$ --	\$ 51,468
Book-related costs	16,118	--	--	16,118
Books, cassettes, and videos	108,859	--	--	108,859
Children and adult programs	21,720	--	--	21,720
Computer hardware and software supplies	28,734	--	--	28,734
Depreciation	53,605	2,821	--	56,426
Insurance	5,906	311	--	6,217
Maintenance service and supplies	72,477	--	--	72,477
Office equipment and maintenance	46,283	--	--	46,283
Office expense	20,229	1,065	--	21,294
Other expense	32,375	14,897	--	47,272
Professional services	--	41,956	--	41,956
Salaries	467,380	223,206	49,007	739,593
Subscriptions	4,996	--	--	4,996
Taxes and benefits	122,450	58,362	12,853	193,665
Utilities	82,708	4,353	--	87,061
Total expenses	<u>\$ 1,135,308</u>	<u>\$ 346,971</u>	<u>\$ 61,860</u>	<u>\$ 1,544,139</u>

Notes to Financial Statements

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

	Program Services	Management and General	Fundraising	Total
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>

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:

Expense	Method of Allocation
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	Time and effort
Maintenance service and supplies	Direct allocation
Office equipment and maintenance	Direct allocation
Office expense	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	Time and effort

Notes to Financial Statements

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 \$32,228 and \$33,746 to the plan for the years ending June 30, 2024 and 2023 respectively.

Note 14. Contributed Nonfinancial Assets

Contributed nonfinancial assets include advertising, professional services, 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.

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, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>2024</u>	<u>2023</u>
Advertising	\$ 5,603	\$ 6,603
Gift cards and prizes	2,770	1,344
Food and other	5,705	849
Amphitheater services	- -	11,132
Silent auction	5,655	4,585
	<u>\$ 19,733</u>	<u>\$ 24,513</u>

Notes to Financial Statements

Below is a description of contributed nonfinancial assets by type:

Nonfinancial Asset	Utilization in Activities	Donor Restrictions	Valuation Techniques
Advertising and amphitheater services	Program or supporting activities	None	Estimated value based on the services determined by the donor.
Gift cards, prizes, food and other	Program, supporting or fundraising activities	None	Estimated value 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 contribution.
Silent auction	Fundraising activities	None	Value based on 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 one commercial bank 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 \$40,500 and \$16,490 to the Library for the years ended June 30, 2024 and 2023, respectively.

Notes to Financial Statements

Note 17. Concentration by Major Customers

Contributions from the government of Warren County, Virginia and the Library of Virginia approximate 50% and 11%, respectively, of the total gifts and fees for the year ended June 30, 2024 and 74% and 14%, respectively, for the year ended June 30, 2023. A significant decline in the revenue from the County or the Library of Virginia could negatively impact the operations of the Library.

Note 18. Subsequent Events

The Library has evaluated all events through October 31, 2024, the date the financial statements were available to be issued. The Library has determined there are no subsequent events that require recognition or disclosure.