

Central Virginia Regional Library
Report on Audit of Financial Statements
Years Ended June 30, 2016 and 2015



***Creedle, Jones
& Alga, P.C.***
Certified Public Accountants

Central Virginia Regional Library

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Virginia Regional Library

We have audited the accompanying financial statements of Central Virginia Regional Library (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and 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 audit. We conducted our audit 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 from 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 entity'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 Central Virginia Regional Library as of June 30, 2016 and 2015, 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.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
August 12, 2016

Central Virginia Regional Library

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash - operating	\$ 78,250	\$ 81,462
Cash - savings	11,331	9,829
Certificates of deposit	47,503	57,121
Investments	<u>102,506</u>	<u>96,037</u>
Total Current Assets	239,590	244,449
Equipment, Net	<u>52,594</u>	<u>44,928</u>
Total Assets	<u>\$ 292,184</u>	<u>\$ 289,377</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payroll taxes payable	\$ 74	\$ 183
Compensated absences	<u>12,994</u>	<u>17,531</u>
Total Liabilities	13,068	17,714
Net Assets		
Unrestricted	117,776	108,676
Temporarily restricted	<u>161,340</u>	<u>162,987</u>
Total Net Assets	<u>279,116</u>	<u>271,663</u>
Total Liabilities and Net Assets	<u>\$ 292,184</u>	<u>\$ 289,377</u>

See independent auditor's report and accompanying notes to the financial statements.

Central Virginia Regional Library

Statements of Activities

Years Ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Totals Only</u>
Revenues				
Contributions	\$ 37,929	\$ -	\$ 37,929	\$ 31,629
County of Buckingham	157,800	-	157,800	152,800
County of Prince Edward	204,663	-	204,663	204,663
Town of Farmville	169,106	-	169,106	173,643
Commonwealth of Virginia	153,940	-	153,940	120,630
E-Rate income	18,038	-	18,038	12,985
Other income	-	-	-	5,387
Interest	-	683	683	1,649
Unrealized gain (loss) on investments	(1,500)	(2,330)	(3,830)	4,388
Total Revenues	739,976	(1,647)	738,329	707,774
Expenses				
Payroll	306,955	-	306,955	323,335
Payroll taxes	24,165	-	24,165	25,187
Retirement	8,640	-	8,640	9,638
Utilities	42,559	-	42,559	37,227
Books, periodicals, and audio	42,792	-	42,792	45,994
Supplies	17,877	-	17,877	15,591
Contract services	84,462	-	84,462	77,142
Travel and education	6,288	-	6,288	5,398
Insurance	46,160	-	46,160	50,480
Depreciation	15,007	-	15,007	17,323
Professional fees	1,600	-	1,600	2,400
Telephone	5,743	-	5,743	5,578
Rent	120,000	-	120,000	120,000
Miscellaneous general and administrative	1,486	-	1,486	1,868
Repairs and maintenance	7,142	-	7,142	2,123
Total Expenses	730,876	-	730,876	739,284
Change in Net Assets	9,100	(1,647)	7,453	(31,510)
Net Assets - Beginning of Year	108,676	162,987	271,663	303,173
Net Assets - End of Year	\$ 117,776	\$ 161,340	\$ 279,116	\$ 271,663

See independent auditor's report and accompanying notes to the financial statements.

Central Virginia Regional Library

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,453	\$ (31,510)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	15,007	17,323
Net unrealized (gain) loss on investments	3,664	(5,392)
Increase (Decrease) in compensated absences	(4,537)	837
Decrease in payroll payables	<u>(109)</u>	<u>(20)</u>
Net Cash Provided by (Used in) Operating Activities	21,478	(18,762)
Cash Flows from Investing Activities		
Equipment purchases	(22,672)	(8,270)
Purchase of investments	<u>(10,134)</u>	<u>(42,667)</u>
Net Cash Used in Investing Activities	<u>(32,806)</u>	<u>(50,937)</u>
Net Decrease in Cash and Cash Equivalents	(11,328)	(69,699)
Cash and Cash Equivalents - Beginning of Year	<u>148,412</u>	218,111
Cash and Cash Equivalents - End of Year	<u>\$ 137,084</u>	<u>\$ 148,412</u>

See independent auditor's report and accompanying notes to the financial statements.

Central Virginia Regional Library

Notes to the Financial Statements

Years Ended June 30, 2016 and 2015

1 Summary of Significant Accounting Policies

Organization

The Central Virginia Regional Library was formed by resolutions adopted by the Boards of Supervisors for the Counties of Buckingham and Prince Edward and the Town Council of the Town of Farmville, Virginia effective July 1, 1993. The primary purpose of the Library is to establish, maintain, and operate a free public library for the use and benefit of the citizens of Buckingham County, Virginia, Prince Edward County, Virginia, and the Town of Farmville, Virginia. The Library is a joint venture of the two counties since its continued existence is dependent upon their operating contributions.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Library is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets – Net assets that are not subject to any donor-imposed stipulations. The Library had unrestricted net assets of \$117,776.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions on their use that may be either met by actions of the Library or the passage of time. The Library had temporarily restricted net assets of \$161,340.

Permanently Restricted Net Assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Library. Generally, the donors permit the Library to use all of the income earned to strengthen the Library collections, programs, or services in subject areas named by the donors. Currently, there are no permanently restricted net assets held by the Library.

Income Taxes

The Library is taxed for Federal and State purposes as a Non-Profit Foundation under Section 501(c)(3) of the Internal Revenue Code. All contributions and related income are exempt from taxation under this section. The Library is taxed on its unrelated business income, less expenses, directly associated with the production of such income.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

When a donor temporary restriction expires, (that is, when a stipulated time restriction ends or purposed restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as unrestricted.

Property and Depreciation

Equipment is stated at cost. The Library provides for depreciation on the straight-line method over an estimated useful life of 5 to 10 years.

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to assist the Library. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and certificates of deposit purchased with a maturity date of three months or less.

Investments

The Library carries investments in marketable securities with readily determinable fair values and investments in debt securities at their fair market values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. The unrealized loss for the investments for the year is \$(3,830).

2 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for Library operations on an as-needed basis as follows:

	<u>2016</u>	<u>2015</u>
Restricted		
Savings account - BB&T	\$ 11,331	\$ 9,829
Certificate of Deposit - BB&T	14,333	24,394
Certificate of Deposit - State Farm	33,170	32,727
Davenport & Company - Mutual funds	93,809	84,520
Anthem, Inc. Stock	<u>8,697</u>	<u>11,517</u>
Total Restricted	<u>\$ 161,340</u>	<u>\$ 162,987</u>

3 Concentration of Credit Risk

The Library maintains accounts at several banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, there were no uninsured balances.

4 Investments

Investments as of June 30, 2016 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Temporarily Restricted			
Davenport & Company - Mutual funds	\$ -	\$ 93,809	\$ 93,809
Anthem, Inc.	-	8,697	8,697
Total Investments		<u>\$ 102,506</u>	<u>\$ 102,506</u>

5 Equipment

The following is a summary of equipment as of June 30, 2016:

Equipment	\$ 229,231
Less: Accumulated depreciation	<u>(176,637)</u>
Total	<u>\$ 52,594</u>

6 SEP-IRA Retirement Plan

The Library adopted a SEP-IRA plan in November 1993 effective for calendar year 1994. The plan is through BB&T. The Library currently contributes five percent (5%) of a full-time employee's salary on an annual basis. This year, the contributions amounted to \$8,640.

7 Compensated Absences

The Library's annual leave policies vary based on an employee's years of service subject to maximum carryover amounts as follows:

<u>Years of Service</u>	<u>Leave Accrual</u>
1-5 years	6.5 hours/month, maximum carryover 80 hours
6-10 years	10 hours/month, maximum carryover 120 hours
11 years or more	14 hours/month, maximum carryover 160 hours

Sick leave is accrued at one day per month up to a maximum of 130 days. Any employee who leaves the employment of the Library in good standing after five (5) years of continuous employment will be paid 25% of accrued sick leave, up to a maximum of \$2,500. If an employee is terminated for cause, he/she is not eligible for the sick leave reimbursement. Compensated absences at June 30, 2016 totaled \$12,994.

8 Related Parties

The Library rents its facilities from the Town of Farmville which is a contributing local government of the Library. The rent is \$120,000 per year. To assist in paying this, the Town increased its contribution to compensate for the rent, thus having no cash effect on the Library. The debt and rental agreements stipulated that rent must be paid.

9 Fair Value Measurements

The fair value framework requires the categorization of assets and liabilities into three levels based upon assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Fair value of assets (liabilities) measured on a recurring basis at June 30, 2016 was as follows:

	<u>Fair Value</u>	<u>Quoted Market Price for Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>
Common stock	\$ 8,697	\$ -	\$ 8,697
Mutual funds	<u>93,809</u>	<u>93,809</u>	<u>-</u>
Total	<u>\$ 102,506</u>	<u>\$ 93,809</u>	<u>\$ 8,697</u>

10 Subsequent Events

The Library has evaluated subsequent events through August 12, 2016, the date which the financial statements were available to be issued.