

Central Virginia Regional Library
Report on Audit of Financial Statements
Years Ended June 30, 2019 and 2018



***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, 2019 and 2018, 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 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 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, 2019 and 2018, 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 20, 2019

Central Virginia Regional Library

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>(Restated)</u> <u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 128,927	\$ 229,814
Investments	<u>222,464</u>	<u>144,615</u>
Total Current Assets	351,391	374,429
Equipment, Net	<u>106,743</u>	<u>44,357</u>
Total Assets	<u>\$ 458,134</u>	<u>\$ 418,786</u>
Liabilities and Net Assets		
Liabilities		
<i>Current Liabilities</i>		
Payroll taxes payable	\$ 39	\$ 52
Compensated absences	<u>13,195</u>	<u>10,200</u>
Total Current Liabilities	13,234	10,252
<i>Long-Term Liabilities, less current portion</i>	<u>-</u>	<u>-</u>
Total Liabilities	13,234	10,252
Net Assets		
Without donor restrictions	378,298	342,812
With donor restrictions	<u>66,602</u>	<u>65,722</u>
Total Net Assets	<u>444,900</u>	<u>408,534</u>
Total Liabilities and Net Assets	<u>\$ 458,134</u>	<u>\$ 418,786</u>

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

Central Virginia Regional Library

Statement of Activities

Year Ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 131,320	\$ -	\$ 131,320
County of Buckingham	189,136	-	189,136
County of Prince Edward	234,078	-	234,078
Town of Farmville	243,136	-	243,136
Commonwealth of Virginia	160,914	-	160,914
E-Rate income	13,682	-	13,682
Interest and dividends	9,135	880	10,015
Unrealized gain (loss) on investments	2,632	-	2,632
Net assets released from restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues, Gains, and Other Support Without Donor Restrictions	984,033	880	984,913
Expenses			
Program services - library activities	734,370	-	734,370
Management and general	214,177	-	214,177
Fundraising	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	948,547	-	948,547
Change in Net Assets	35,486	880	36,366
Net Assets - Beginning of Year	<hr/>	<hr/>	<hr/>
	342,812	65,722	408,534
Net Assets - End of Year	<u>\$ 378,298</u>	<u>\$ 66,602</u>	<u>\$ 444,900</u>

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

Central Virginia Regional Library

Statement of Activities

Year Ended June 30, 2018 (Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 35,662	\$ 82,610	\$ 118,272
County of Buckingham	166,036	-	166,036
County of Prince Edward	210,808	-	210,808
Town of Farmville	231,500	-	231,500
Commonwealth of Virginia	167,018	-	167,018
E-Rate income	15,711	-	15,711
Interest and dividends	12,063	-	12,063
Unrealized gain on investments	6,244	-	6,244
Net assets released from restrictions	<u>16,888</u>	<u>(16,888)</u>	<u>-</u>
Total Revenues, Gains, and Other Support Without Donor Restrictions	861,930	65,722	927,652
Expenses			
Program services - library activities	629,860	-	629,860
Management and general	222,905	-	222,905
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	852,765	-	852,765
Change in Net Assets	9,165	65,722	74,887
Net Assets - Beginning of Year	<u>333,647</u>	<u>-</u>	<u>333,647</u>
Net Assets - End of Year	<u>\$ 342,812</u>	<u>\$ 65,722</u>	<u>\$ 408,534</u>

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

Central Virginia Regional Library

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 36,366	\$ 74,887
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation	19,483	15,149
Net unrealized (gain) loss on investments	(2,632)	(6,244)
Increase in compensated absences	2,995	1,653
Decrease in payroll payables	<u>(13)</u>	<u>(14)</u>
Net Cash Provided by Operating Activities	56,199	85,431
Cash Flows from Investing Activities		
Equipment purchases	(81,869)	(13,536)
Purchase of investments	<u>(75,217)</u>	<u>(11,575)</u>
Net Cash Used in Investing Activities	<u>(157,086)</u>	<u>(25,111)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(100,887)	60,320
Cash and Cash Equivalents - Beginning of Year	<u>229,814</u>	<u>169,494</u>
Cash and Cash Equivalents - End of Year	<u>\$ 128,927</u>	<u>\$ 229,814</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, 2019 and 2018

1 Nature of Activities and Significant Accounting Policies

Nature of Activities

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 two classes of net assets:

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Income Tax Status

The Library is a not-for-profit organization taxed for Federal and State purposes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include the valuation of investments at fair value and functional allocation of expenses. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Equipment

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.

Contributed 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 statements of cash flows, the Library considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Library carries investments in marketable securities with readily determinable fair values and investments in debt securities are reported 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 gain for the investments for the year is \$2,632.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated on a specific asset use basis, as well as salaries and related fringe benefits, which are allocated on the basis of estimates of time and effort. Rent and utilities are allocated based on space used for services.

2 Net Assets with Donor Restrictions

In October 2017, the Farmville-Prince Edward Local Advisory Board for the Farmville-Prince Edward (FPE) Library dissolved and donated \$82,610 to the Central Virginia Regional Library with restrictions that it only be used for the FPE Library with prior approval of the Central Virginia Regional Library Board. In July 2018, these funds were invested in an investment account with Davenport. These are the only funds reported as restricted funds for the years ended June 30, 2019 and 2018.

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, 2019, there were no uninsured balances.

4 Equipment

The following is a summary of equipment as of June 30, 2019:

Equipment	\$ 333,393
Less: Accumulated depreciation	<u>(226,650)</u>
Total	<u>\$ 106,743</u>

5 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 \$12,080.

6 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>Vacation 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, 2019 totaled \$13,195.

7 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 affect on the Library. The debt and rental agreements stipulate that rent must be paid.

8 Fair Value Measurements

Fair values of assets measured at June 30, 2019 are as follows:

Fair Value Measurements at the End of the Reporting Period Using

<u>Recurring fair value measurements</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Gains (Losses)</u>
Anthem - Common stock	\$ 20,417	\$ 20,417	\$ -	\$ -	\$ 3,182
Davenport - Mutual funds	135,445	135,445	-	-	(550)
Davenport - U.S. Treasury obligations	<u>66,602</u>	<u>66,602</u>	-	-	-
	<u>\$ 222,464</u>	<u>\$ 222,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,632</u>

Level 2 Measurements

The fair value for a derivative financial instrument that is an interest rate swap agreement is measured using quoted market prices for similar assets in active markets. Currently, there are no level 2 inputs.

Level 3 Measurements

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information. Currently, there are no Level 3 inputs.

9 Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end	\$ 351,391
Less those unavailable for general expenditures within one year	<u> -</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 351,391</u>

10

Functional Expenses

Functional expenses for 2019 and 2018 are as follows:

	2019		2018		
	Program Services	Supporting Services	Program Services	Supporting Services	
	Library Activities	Management and General	Fundraising	Supporting Subtotal	Total
Payroll	\$ 339,278	\$ 50,000	\$ -	\$ 50,000	\$ 389,278
Payroll taxes	25,929	3,825	-	3,825	29,754
Retirement	9,580	2,500	-	2,500	12,080
Utilities	35,068	15,029	-	15,029	50,097
Books, periodicals, and audio	53,886	-	-	-	53,886
Supplies	13,681	12,105	-	12,105	25,786
Contract services	37,573	51,822	-	51,822	89,395
Travel and education	7,111	-	-	-	7,111
Insurance, includes health insurance	52,372	14,771	-	14,771	67,143
Professional fees	-	3,600	-	3,600	3,600
Telephone	6,118	680	-	680	6,798
Rent	126,000	54,000	-	54,000	180,000
Miscellaneous	7,016	-	-	-	7,016
Repairs and maintenance	7,120	-	-	-	7,120
Depreciation expense	13,638	5,845	-	5,845	19,483
Total Expenses	\$ 734,370	\$ 214,177	\$ -	\$ 214,177	\$ 948,547

	2018		Program Services		Supporting Services		Total
	Library Activities	Management and General	Fundraising	Supporting Subtotal			
Payroll	\$ 250,078	\$ 68,369	\$ -	\$ 68,369	\$ -	\$ 318,447	
Payroll taxes	20,179	4,230	-	4,230	-	24,409	
Retirement	5,371	2,500	-	2,500	-	7,871	
Utilities	29,400	12,600	-	12,600	-	42,000	
Books, periodicals, and audio	50,680	-	-	-	-	50,680	
Supplies	10,991	11,296	-	11,296	-	22,287	
Contract services	46,827	42,801	-	42,801	-	89,628	
Travel and education	7,935	-	-	-	-	7,935	
Insurance, includes health insurance	44,066	12,870	-	12,870	-	56,936	
Professional fees	-	9,050	-	9,050	-	9,050	
Telephone	5,797	644	-	644	-	6,441	
Rent	126,000	54,000	-	54,000	-	180,000	
Miscellaneous	18,315	-	-	-	-	18,315	
Repairs and maintenance	3,617	-	-	-	-	3,617	
Depreciation expense	10,604	4,545	-	4,545	-	15,149	
Total Expenses	\$ 629,860	\$ 222,905	\$ -	\$ 222,905	\$ -	\$ 852,765	

11 Restatement

The June 30, 2018 Statement of Financial Position and the Statement of Activities has been restated to reflect the donor-restricted money donated in October 2017 by the Farmville-Prince Edward Local Advisory Board (see Note 2). The restatement was for \$65,722 which was the balance of restricted funds as of June 30, 2018. These funds were in the Library's checking account at June 30, 2018 and were reinvested in July 2018 to a Davenport investment account.

12 Evaluation of Subsequent Events

The Library has evaluated subsequent events through August 20, 2019, the date which the financial statements were available to be issued.

