

Central Virginia Regional Library
Report on Audit of Financial Statements
Years Ended June 30, 2015 and 2014



***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, 2015 and 2014, 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, 2015 and 2014, 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 24, 2015

Central Virginia Regional Library

Statements of Financial Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash - operating	\$ 81,462	\$ 109,139
Cash - savings	9,829	9,810
Certificates of deposit	57,121	99,162
Investments	<u>96,037</u>	<u>47,978</u>
Total Current Assets	244,449	266,089
Equipment, Net	<u>44,928</u>	<u>53,982</u>
Total Assets	<u>\$ 289,377</u>	<u>\$ 320,071</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payroll taxes payable	\$ 183	\$ 204
Compensated absences	<u>17,531</u>	<u>16,694</u>
Total Liabilities	17,714	16,898
Net Assets		
Unrestricted	108,676	146,223
Temporarily restricted	<u>162,987</u>	<u>156,950</u>
Total Net Assets	<u>271,663</u>	<u>303,173</u>
Total Liabilities and Net Assets	<u>\$ 289,377</u>	<u>\$ 320,071</u>

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

Central Virginia Regional Library

Statements of Activities

Years Ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Totals Only</u>
Revenues				
Contributions	\$ 31,629	\$ -	\$ 31,629	\$ 47,709
County of Buckingham	152,800	-	152,800	152,800
County of Prince Edward	204,663	-	204,663	204,663
Town of Farmville	173,643	-	173,643	165,000
Commonwealth of Virginia	120,630	-	120,630	121,080
Other grants	-	-	-	4,573
E-Rate income	12,985	-	12,985	11,601
Other income	5,387	-	5,387	10,744
Interest	-	1,649	1,649	1,288
Unrealized gain on investments	-	4,388	4,388	9,196
	<u>701,737</u>	<u>6,037</u>	<u>707,774</u>	<u>728,654</u>
Expenses				
Payroll	323,335	-	323,335	302,579
Payroll taxes	25,187	-	25,187	23,736
Retirement	9,638	-	9,638	9,062
Utilities	37,227	-	37,227	33,635
Books, periodicals, and audio	45,994	-	45,994	38,073
Supplies	15,591	-	15,591	21,352
Contract services	77,142	-	77,142	81,334
Travel and education	5,398	-	5,398	5,867
Insurance	50,480	-	50,480	43,959
Depreciation	17,323	-	17,323	10,997
Professional fees	2,400	-	2,400	2,600
Telephone	5,578	-	5,578	5,861
Rent	120,000	-	120,000	120,000
Miscellaneous general and administrative	1,868	-	1,868	1,373
Repairs and maintenance	2,123	-	2,123	1,616
	<u>739,284</u>	<u>-</u>	<u>739,284</u>	<u>702,044</u>
Change in Net Assets	(37,547)	6,037	(31,510)	26,610
Net Assets - Beginning of Year	<u>146,223</u>	<u>156,950</u>	<u>303,173</u>	<u>276,563</u>
Net Assets - End of Year	<u>\$ 108,676</u>	<u>\$ 162,987</u>	<u>\$ 271,663</u>	<u>\$ 303,173</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (31,510)	\$ 26,610
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	17,323	10,997
Net unrealized gain on investments	(5,392)	(9,306)
Increase (Decrease) in compensated absences	837	257
Increase (Decrease) in payroll payables	<u>(20)</u>	<u>(1,977)</u>
Net Cash Provided by (Used in) Operating Activities	(18,762)	26,581
Cash Flows from Investing Activities		
Equipment purchases	(8,270)	(32,917)
Purchase of investments	<u>(42,667)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(50,937)</u>	<u>(32,917)</u>
Net Decrease in Cash and Cash Equivalents	(69,699)	(6,336)
Cash and Cash Equivalents - Beginning of Year	<u>218,111</u>	<u>224,447</u>
Cash and Cash Equivalents - End of Year	<u>\$ 148,412</u>	<u>\$ 218,111</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, 2015 and 2014

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 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 \$108,676.

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 \$162,987.

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 develop 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 gain (loss) for the investments for the year is \$4,388.

2 Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Restricted		
Savings account - BB&T	\$ 9,829	\$ 9,810
Certificate of Deposit - BB&T	24,394	23,963
Certificate of Deposit - State Farm	32,727	75,199
Davenport & Company - Mutual funds	84,520	40,728
Anthem, Inc. Stock	<u>11,517</u>	<u>7,250</u>
Total Restricted	<u>\$ 162,987</u>	<u>\$ 156,950</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, 2015, there were no uninsured balances.

4 Investments

Investments as of June 30, 2015 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Temporarily Restricted			
Davenport & Company - Mutual funds	\$ 64,316	\$ 84,520	\$ 84,520
Anthem, Inc. (formerly Wellpoint Corporation)	-	11,517	11,517
Total Investments		<u>\$ 96,037</u>	<u>\$ 96,037</u>

5 Equipment

The following is a summary of equipment as of June 30, 2015:

Equipment	\$ 206,558
Less: Accumulated depreciation	<u>(161,630)</u>
Total	<u>\$ 44,928</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 \$9,638.

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, 2015 totaled \$17,531.

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 affect 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, 2015 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 11,517	\$ -	\$ -	\$ 11,517
Mutual funds	-	84,520	-	84,520
Total	<u>\$ 11,517</u>	<u>\$ 84,520</u>	<u>\$ -</u>	<u>\$ 96,037</u>

10 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.