

WILLIAMSBURG REGIONAL LIBRARY
FOUNDATION

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
WILLIAMSBURG REGIONAL LIBRARY FOUNDATION
WILLIAMSBURG, VIRGINIA

We have audited the accompanying financial statements of Williamsburg Regional Library Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' 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 auditors' 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 Williamsburg Regional Library Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robinson, Farmer, Cox Associates

Richmond, Virginia

May 26, 2017

FINANCIAL STATEMENTS

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2016

<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 396,348
Unconditional promises to give	<u>75,688</u>
Total current assets	<u>\$ 472,036</u>
Noncurrent Assets:	
Certificates of deposit	\$ 10,068
Investments	1,984,470
Unconditional promises to give	<u>105,646</u>
Total noncurrent assets	<u>\$ 2,100,184</u>
Total assets	<u><u>\$ 2,572,220</u></u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	<u>\$ 276</u>
Total liabilities	<u>\$ 276</u>
Net Assets:	
Unrestricted	\$ 1,654,001
Unrestricted - Board designated for Stryker Center	375,015
Temporarily restricted	1,150
Permanently restricted	<u>541,778</u>
Total net assets	<u>\$ 2,571,944</u>
Total liabilities and net assets	<u><u>\$ 2,572,220</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Support, revenues, gains and reclassifications:				
Dividends and interest income	\$ 50,259	\$ -	\$ -	\$ 50,259
Unrealized gain (loss) on investments	98,744	-	-	98,744
Gifts	215,945	51,735	5,820	273,500
Perpetual book funds	-	-	30,925	30,925
Net assets released from restrictions:				
Satisfaction of purpose restrictions	102,085	(102,085)	-	-
Total support, revenues, gains and reclassifications	<u>\$ 467,033</u>	<u>\$ (50,350)</u>	<u>\$ 36,745</u>	<u>\$ 453,428</u>
Expenses:				
Program services:				
Support of Williamsburg Regional Library	\$ 362,471	\$ -	\$ -	\$ 362,471
Investment management fees	12,340	-	-	12,340
Office expenses	1,095	-	-	1,095
Donor search	1,500	-	-	1,500
Miscellaneous	1,642	-	-	1,642
Supporting services:				
Management and general	5,900	-	-	5,900
Total expenses	<u>\$ 384,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,948</u>
Increase (decrease) in net assets	\$ 82,085	\$ (50,350)	\$ 36,745	\$ 68,480
Net assets at beginning of year	<u>1,946,931</u>	<u>51,500</u>	<u>505,033</u>	<u>2,503,464</u>
Net assets at end of year	<u><u>\$ 2,029,016</u></u>	<u><u>\$ 1,150</u></u>	<u><u>\$ 541,778</u></u>	<u><u>\$ 2,571,944</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 68,480
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Unrealized (gains) losses on investments	(98,744)
Fees charged on investments	12,340
Receipts of interest and dividends reinvested	(49,586)
(Increase) decrease in current and noncurrent assets:	
Unconditional promises to give	114,572
Increase (decrease) in current liabilities:	
Accounts payable	<u>(13,841)</u>
Net cash provided by (used for) operating activities	\$ <u>33,221</u>
Cash flows from investing activities:	
Purchase of investments	\$ (259,092)
Sale of investments	<u>339,292</u>
Net cash provided by (used for) investing activities	\$ <u>80,200</u>
Net increase (decrease) in cash	\$ 113,421
Cash and cash equivalents, beginning of year	<u>282,927</u>
Cash and cash equivalents, end of year	<u><u>\$ 396,348</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Organization

The Williamsburg Regional Library Foundation (the Organization) is a nonprofit organization organized to promote interest in and attract financial support for the Williamsburg Regional Library through gifts and contributions from outside sources. The Organization is a component unit of the Williamsburg Regional Library.

(B) 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.

(C) Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following three classes of net assets based on the existence or absence of donor-imposed restrictions:

Unrestricted net assets - Net assets that are not subject to any donor-imposed stipulations. At December 31, 2016 the Organization had unrestricted net assets of \$2,029,016. The Board has designated \$375,015 to meet the Foundation's contracted liability to help fund the Stryker Center.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time. At December 31, 2016, the Organization had temporarily restricted net assets of \$1,150.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all of the income earned to strengthen the library collections, programs or services in subject areas named by the donors. At December 31, 2016, the Organization had permanently restricted net assets of \$541,778.

(D) Tax Exempt Status

Income taxes are not provided for in the financial statements as the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions.

(E) 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.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(G) Donated Materials and Services

No amounts have been reflected in the accompanying financial statements for donated facilities, materials and services. The Organization generally pays for services requiring specific expertise. However, many individuals donate materials and volunteer their time performing tasks that assist the Organization.

(H) Revenue Sources

The Organization is funded primarily through contributions from the public.

(I) 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 with an original maturity of less than three months.

(J) Investments

The Organization carries investments in marketable securities with readily determinable fair values and investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

(K) Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets at December 31, 2016 are available for the following purposes:

Other	\$	<u>1,150</u>
Total	\$	<u><u>1,150</u></u>

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 (Continued)

NOTE 2 - RESTRICTIONS ON NET ASSETS (CONTINUED)

Permanently Restricted Net Assets at December 31, 2016 are held by the Organization for the following purposes:

Animal grant	\$	17,572
Children's programs		30,971
Collection		47,663
Community room		33,967
Perpetual book funds		388,410
Capital campaign endowment		23,195
Total	\$	<u>541,778</u>

Perpetual book fund contributions totaling \$10,000 or more establish a named endowment to purchase something for the Library's collection as income/earnings become available. New materials are recognized with a bookplate in the name designated by the donor. The donor establishes the subject area and the library location of the gifts.

Other permanently restricted funds are also held to support specific programs as noted above. The income/earnings from these donations are expended annually as designated by the donor.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains accounts at several banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, account balances exceed federal insured limits. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash accounts.

NOTE 4 - RELATED PARTIES

The Organization routinely conducts business with the Williamsburg Regional Library. The Williamsburg Regional Library Foundation was created as a not for profit corporation to promote interest in and attract financial support for the Williamsburg Regional Library. The Organization receives gifts and bequests, prudently manages the funds, and uses the income generated to support the collections, programs, and services of the Williamsburg Regional Library and to fund the Organization's operating costs.

During the year ended December 31, 2016, the Organization recognized related party expenses of \$376,219 that were contributed to the Williamsburg Regional Library to fund certain collections, programs, and services.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS December 31, 2016 (Continued)

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Organization is committed under a contractual obligation to the Williamsburg Regional Library to help fund the construction of the Stryker Center that will provide new space for the Library's administrative offices, meeting rooms, community space, and programming. The Organization has committed funding in the amount of \$500,000 to be paid in three annual installments beginning in 2016. As of December 31, 2016, there is \$333,333 still to be paid.

The Organization has also committed \$250,000 to help fund the costs of equipment, furnishings, and other personal property needed by the Library for new space in the Stryker Center. As of December 31, 2016, there is \$41,682 still to be paid.

NOTE 6 - ENDOWMENT FUND

Permanently restricted net assets at December 31, 2016 consist of an endowment fund to support the operations of the Williamsburg Regional Library. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Board indefinitely and income from the fund is to be expended for the support of Williamsburg Regional Library. As required by generally accepted accounting principles, net assets associated with endowment funds are reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide the Williamsburg Regional Library with current income. Endowment assets are invested in various certificates of deposit, common stock, and corporate bonds. The Organization seeks to build endowment assets through additional contributions. The Organization has a policy of appropriating for distribution each year the endowment fund's investment income that is not permanently restricted, and the Organization generally expends the endowment fund's investment income for the support of Williamsburg Regional Library. The current spending policy is not expected to allow the Organization's endowment fund to grow as a result of investment returns. This is consistent with the Organization's objective to provide income for the support of Williamsburg Regional Library, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (Continued)

NOTE 6 - ENDOWMENT FUND (Continued)

The composition of endowment net assets for this fund as of December 31, 2016 are as follows:

	<u>Permanently Restricted</u>
Endowment net assets, January 1, 2016	\$ 505,033
Contributions	<u>36,745</u>
Endowment net assets, December 31, 2016	<u><u>\$ 541,778</u></u>

NOTE 7 - INVESTMENTS

Investments at December 31, 2016 were as follows:

U.S. Common Stocks	\$ 967,207
Mutual Funds	466,304
Money Market Mutual Funds	114,993
Corporate Bonds	<u>435,966</u>
Total	<u><u>\$ 1,984,470</u></u>

Investment income for the year ended December 31, 2016 was as follows:

Dividends and interest income	\$ 50,259
Unrealized and unrealized gains (losses) on investments	98,744
Less investment fees	<u>(12,340)</u>
Total	<u><u>\$ 136,663</u></u>

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WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (Continued)

NOTE 8 - 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. Inputs that are supported by little or no market activity and that are significant to the fair market value of the assets or liabilities.

Fair value of assets (liabilities) measured on a recurring basis at December 31, 2016 was as follows:

	<u>Level 1</u>	<u>Total</u>
Common stock	\$ 967,207	\$ 967,207
Mutual funds	466,304	466,304
Corporate bonds	435,966	435,966
Money market mutual funds	<u>114,993</u>	<u>114,993</u>
Total	<u>\$ 1,984,470</u>	<u>\$ 1,984,470</u>

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WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 (Continued)

NOTE 9 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Unrestricted promises	\$ 40,546
Restricted for capital campaign Styker Center	<u>150,000</u>
Gross unconditional promises to give	\$ 190,546
Less: Unamortized discount	<u>(9,212)</u>
Net unconditional promises to give	<u>\$ 181,334</u>
Amount due in:	
Less than one year	\$ 75,688
One to five years	<u>105,646</u>
Gross unconditional promises to give	<u>\$ 181,334</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of the applicable Treasury bill rate on the date of the pledge plus 1.5%.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through May 26, 2017, the date the financial statements were available to be issued. A memorandum of understanding was completed on February 22, 2017 that states that Williamsburg Regional Library Foundation and Friends of Williamsburg Regional Library intend to merge on December 31, 2017.

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