

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

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FOUNDATION

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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
FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION
WILLIAMSBURG, VIRGINIA

We have audited the accompanying financial statements of Friends of Williamsburg Regional Library Foundation (a nonprofit organization), a component of the Williamsburg Regional Library, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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 Friends of Williamsburg Regional Library Foundation as of December 31, 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the Friends of Williamsburg Regional Library Foundation adopted new accounting guidance, FASB ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Robinson, Farmer, Cox Associates

Richmond, Virginia
February 22, 2019

FINANCIAL STATEMENTS

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 279,774
Unconditional promises to give, current portion	<u>49,432</u>
Total current assets	\$ <u>329,206</u>
Noncurrent Assets:	
Certificates of deposit	\$ 10,267
Investments	2,419,012
Unconditional promises to give, net of current portion	<u>500</u>
Total noncurrent assets	\$ <u>2,429,779</u>
Total assets	\$ <u><u>2,758,985</u></u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	\$ <u>5,618</u>
Net Assets:	
Net assets without donor restrictions:	
Board designated	\$ 1,029,016
Undesignated	1,049,657
Net assets with donor restrictions	<u>674,694</u>
Total net assets	\$ <u>2,753,367</u>
Total liabilities and net assets	\$ <u><u>2,758,985</u></u>

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

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, revenues, gains and reclassifications:			
Dividends and interest income	\$ 80,497	\$ -	\$ 80,497
Unrealized gain (loss) on investments	(256,912)	-	(256,912)
Memberships	71,226	-	71,226
Gifts and donations	17,038	28,525	45,563
Perpetual book funds	-	12,421	12,421
Capital campaign endowment contributions	-	26,802	26,802
Book sales	107,134	-	107,134
Net assets released from restrictions:			
Satisfaction of purpose restrictions	14,881	(14,881)	-
Total support, revenues, gains and reclassifications	<u>\$ 33,864</u>	<u>\$ 52,867</u>	<u>\$ 86,731</u>
Expenses:			
Program services:			
Library books and materials	\$ 384,955	\$ -	\$ 384,955
Supporting services:			
Management and general	9,200	-	9,200
Total expenses	<u>\$ 394,155</u>	<u>\$ -</u>	<u>\$ 394,155</u>
Increase (decrease) in net assets	\$ (360,291)	\$ 52,867	\$ (307,424)
Net assets at beginning of year	<u>2,438,964</u>	<u>621,827</u>	<u>3,060,791</u>
Net assets at end of year	<u><u>\$ 2,078,673</u></u>	<u><u>\$ 674,694</u></u>	<u><u>\$ 2,753,367</u></u>

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

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services	
	Library Books and Materials	Management and General	Total
Support of WRL	\$ 369,422	\$ -	\$ 369,422
FWRLF committee expenses	6,189	-	6,189
Audit services	-	9,200	9,200
Bank fees and miscellaneous	884	-	884
Fees to WRL	4,000	-	4,000
Insurance	879	-	879
Postage	1,933	-	1,933
Stationery	1,648	-	1,648
Total expenses	\$ 384,955	\$ 9,200	\$ 394,155

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

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Cash flows from operating activities:	
Change in net assets	\$ (307,424)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Unrealized (gains) losses on investments	241,097
Fees charged on investments	15,815
Receipts of interest and dividends reinvested	(79,683)
(Increase) decrease in current and noncurrent assets:	
Due from Friends of WRL	329,751
Unconditional promises to give	55,213
Increase (decrease) in current liabilities:	
Accounts payable	<u>5,618</u>
Net cash provided by (used for) operating activities	<u>\$ 260,387</u>
Cash flows from investing activities:	
Purchase of investments	\$ (681,781)
Sale of investments	<u>360,641</u>
Net cash provided by (used for) investing activities	<u>\$ (321,140)</u>
Net increase (decrease) in cash	\$ (60,753)
Cash and cash equivalents, beginning of year	<u>340,527</u>
Cash and cash equivalents, end of year	<u><u>\$ 279,774</u></u>

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

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Organization

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

Friends of Williamsburg Regional Library Foundation resulted from the consolidation of the activities of the Williamsburg Regional Library Foundation and the Friends of Williamsburg Regional Library during fiscal year 2017. The operations of the Friends of Williamsburg Regional Library was dissolved during fiscal year 2017. All assets of the Friends of Williamsburg Regional Library were transferred to Friends of Williamsburg Regional Library Foundation on February 20, 2018. The Foundation amended its bylaws and articles of incorporation to reflect the revised mission, membership, Board of Directors composition and name change of the consolidated Organization during fiscal year 2017.

(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 two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed stipulations. At December 31, 2018 the Organization had net assets without donor restrictions of \$2,078,673. The Board has designated \$1,029,016 of these funds at December 31, 2018.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions on their use. Some of these restrictions may be met either by actions of the Organization or the passage of time. At December 31, 2018, the Organization had net assets with donor restrictions of \$674,694. Other net assets are 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.

(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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Contributions

Contributions received are recorded based on the existence and/or nature of any donor restrictions.

When a donor restriction expires, (that is, when a stipulated time restriction ends or purposed restriction is accomplished), 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. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as contributions without donor restrictions.

(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.

Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimates because of the overlap of activities and the difficulty of record keeping for usage. Specifically identifiable expenses are allocated.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the beginning net assets. The new standard changes the following aspects of the Organization financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 9).

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,438,964	\$ -
Temporarily restricted net assets	825	-
Permanently restricted net assets	621,002	-
Net assets without donor restrictions	-	2,438,964
Net assets with donor restrictions	-	621,827
	<u>3,060,791</u>	<u>3,060,791</u>
Total net assets	\$ <u>3,060,791</u>	\$ <u>3,060,791</u>

NOTE 2 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2018 are available for the following purposes:

Capital campaign youth services project	\$ 67,871
Caldwell children's programs	30,971
Animal grant	17,572
Collection endowment	47,663
Kitzinger	33,967
Perpetual book funds	416,036
Campaign and other endowment funds	60,614
	<u>674,694</u>
Total	\$ <u>674,694</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (CONTINUED)

NOTE 2 - RESTRICTIONS ON NET ASSETS (CONTINUED)

Contributions totaling \$10,000 or more can establish a named endowment to purchase materials for the Library's collection or to support the Library's programs 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.

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.

The Organization routinely conducts business with the Williamsburg Regional Library. The Friends of 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.

NOTE 4 - RELATED PARTIES

During the year ended December 31, 2018, the Organization recognized related party expenses of \$369,422 that were contributed to the Williamsburg Regional Library to fund certain collections, programs, and services.

NOTE 5 - ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2018 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 the following as net assets with donor restrictions: (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 5 - ENDOWMENT FUND (CONTINUED)

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 donor 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.

NOTE 6 - INVESTMENTS

Investments at December 31, 2018 were as follows:

Certificates of deposit held at brokerages	\$ 89,556
U.S. Treasury Obligations	75,762
U.S. Common Stocks	1,253,095
Mutual Funds	465,395
Money Market Mutual Funds	163,533
Corporate Bonds	<u>371,671</u>
Total	<u>\$ 2,419,012</u>

Investment income for the year ended December 31, 2018 was as follows:

Dividends and interest income	\$ 80,497
Unrealized and unrealized gains (losses) on investments	(241,097)
Less investment fees	<u>(15,815)</u>
Total	<u>\$ (176,415)</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 7 - 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, 2018 was as follows:

	<u>Level 1</u>	<u>Total</u>
Certificates of deposit held at brokerages	\$ 89,556	\$ 89,556
U.S. Treasury Obligations	75,762	75,762
U.S. Common Stocks	1,253,095	1,253,095
Mutual Funds	465,395	465,395
Money Market Mutual Funds	163,533	163,533
Corporate Bonds	371,671	371,671
Total	<u>\$ 2,419,012</u>	<u>\$ 2,419,012</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Unconditional promises to give	\$ 51,500
Less: Unamortized discount	<u>(1,568)</u>
Net unconditional promises to give	<u>\$ 49,932</u>
Amount due in:	
Less than one year	\$ 49,432
One to five years	500
Gross unconditional promises to give	<u>\$ 49,932</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 9 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2018. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or the quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, at year-end	\$ 329,206
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	-
Subject to appropriation and satisfaction of donor restrictions	-
Investments held in annuity trust	-
Board designations:	
Quasi-endowment fund, primarily for long-term investing	-
Amounts set aside for liquidity reserve	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 329,206</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 9 - AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments.

The Organization's financial assets available within one year of December 31, 2018 for general expenditure are as follows:

Cash and cash equivalents	\$	279,774
Unconditional promises to give, current portion		<u>49,432</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>329,206</u></u>

NOTE 10 - GOVERNANCE BOARD DESIGNATIONS

The Organization's governing board has designated, from net assets without donor restrictions of \$2,078,673, net assets for the following purposes as of June 30, 2018:

Audit reserve	\$	4,000
Operating reserve		40,000
WRL idea studio		250,000
Brose endowment		542,589
Halverson endowment		<u>192,427</u>
Total	\$	<u><u>1,029,016</u></u>

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through February 22, 2019, the date the financial statements were available to be issued.