

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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FOUNDATION

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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 Williamsburg Regional Library, which comprise the statement of financial position as of December 31, 2020, 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, 2020, 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, Farnum, Cox Associates

Richmond, Virginia

March 8, 2021

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 217,070
Unconditional promises to give, current portion	<u>24,944</u>
Total current assets	\$ <u>242,014</u>
Noncurrent Assets:	
Certificates of deposit	\$ 10,369
Investments	3,019,634
Unconditional promises to give, net of current portion	<u>49,480</u>
Total noncurrent assets	\$ <u>3,079,483</u>
Total assets	\$ <u><u>3,321,497</u></u>
<u>Liabilities and Net Assets</u>	
Net Assets:	
Net assets without donor restrictions:	
Board designated	\$ 1,109,679
Undesignated	1,552,660
Net assets with donor restrictions	<u>659,158</u>
Total net assets	\$ <u>3,321,497</u>
Total liabilities and net assets	\$ <u><u>3,321,497</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, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Dividends and interest income	\$ 99,068	\$ -	\$ 99,068
Unrealized gain (loss) on investments	33,495	-	33,495
Memberships	80,323	-	80,323
Gifts and donations	5,659	48,426	54,085
Perpetual book funds	-	16,065	16,065
Capital campaign endowment contributions	-	38,039	38,039
Book sales	59,738	-	59,738
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>88,469</u>	<u>(88,469)</u>	<u>-</u>
Total support, revenues, and gains	\$ <u>366,752</u>	\$ <u>14,061</u>	\$ <u>380,813</u>
Expenses:			
Program services:			
Library materials and programs	\$ 313,713	\$ -	\$ 313,713
Supporting services:			
Management and general	6,150	-	6,150
Total expenses	<u>\$ 319,863</u>	<u>\$ -</u>	<u>\$ 319,863</u>
Increase (decrease) in net assets	\$ 46,889	\$ 14,061	\$ 60,950
Net assets at beginning of year	<u>2,615,450</u>	<u>645,097</u>	<u>3,260,547</u>
Net assets at end of year	<u><u>\$ 2,662,339</u></u>	<u><u>\$ 659,158</u></u>	<u><u>\$ 3,321,497</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, 2020

	Program Services	Supporting Services	
	Library Materials and Programs	Management and General	Total
Support of WRL	\$ 299,350	\$ -	\$ 299,350
FWRLF committee expenses	4,784	-	4,784
Audit services	-	6,150	6,150
Bank fees and miscellaneous	1,104	-	1,104
Fees to WRL	4,000	-	4,000
Insurance	881	-	881
Postage	1,822	-	1,822
Stationery	1,772	-	1,772
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 313,713</u>	<u>\$ 6,150</u>	<u>\$ 319,863</u>

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, 2020

Cash flows from operating activities:	
Change in net assets	\$ 60,950
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Unrealized (gains) losses on investments	(52,443)
Fees charged on investments	18,948
Receipts of interest and dividends reinvested	(98,751)
(Increase) decrease in current and noncurrent assets:	
Unconditional promises to give	<u>5,342</u>
Net cash provided by (used for) operating activities	\$ <u>(65,954)</u>
Cash flows from investing activities:	
Purchase of investments	\$ (36,387)
Sale of investments	<u>26,372</u>
Net cash provided by (used for) investing activities	\$ <u>(10,015)</u>
Net increase (decrease) in cash	\$ (75,969)
Cash and cash equivalents, beginning of year	<u>293,039</u>
Cash and cash equivalents, end of year	<u><u>\$ 217,070</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, 2020

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 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 Williamsburg Regional Library Foundation and Friends of Williamsburg Regional Library during fiscal year 2017. The operations of Friends of Williamsburg Regional Library were dissolved during fiscal year 2017. All assets of 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, 2020 the Organization had net assets without donor restrictions of \$2,662,339. The Board has designated \$1,109,679 of these funds at December 31, 2020.

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, 2020, the Organization had net assets with donor restrictions of \$659,158. 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, 2020 (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, 2020 (CONTINUED)

NOTE 2 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

Caldwell children's programs	\$	30,971
Animal grant		17,572
Collection endowment		47,663
Kitzinger		33,967
Perpetual book funds		443,071
Campaign and other endowment funds		85,914
Total	\$	<u>659,158</u>

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 Williamsburg Regional Library. 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, 2020, the Organization recognized related party expenses of \$299,350 that were contributed to Williamsburg Regional Library to fund certain collections, programs, and services.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (CONTINUED)

NOTE 5 - ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2020 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.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (CONTINUED)

NOTE 6 - INVESTMENTS

Investments at December 31, 2020 were as follows:

Certificates of deposit held at brokerages	\$ 46,320
U.S. Treasury Obligations	82,262
U.S. Common Stocks	2,052,136
Mutual Funds	327,733
Money Market Mutual Funds	221,958
Corporate Bonds	289,225
Total	<u>\$ 3,019,634</u>

Investment income for the year ended December 31, 2020 was as follows:

Dividends and interest income	\$ 99,068
Unrealized and unrealized gains (losses) on investments	52,443
Less investment fees	(18,948)
Total	<u>\$ 132,563</u>

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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets (liabilities) measured on a recurring basis at December 31, 2020 was as follows:

	Level 1	Total
Certificates of deposit held at brokerages	\$ 46,320	\$ 46,320
U.S. Treasury Obligations	82,262	82,262
U.S. Common Stocks	2,052,136	2,052,136
Mutual Funds	327,733	327,733
Money Market Mutual Funds	221,958	221,958
Corporate Bonds	289,225	289,225
Total	\$ 3,019,634	\$ 3,019,634

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Unconditional promises to give	\$ 76,430
Less: Unamortized discount	(2,006)
Net unconditional promises to give	\$ 74,424
Amount due in:	
Less than one year	\$ 24,944
One to five years	49,480
Gross unconditional promises to give	\$ 74,424

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 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2020. 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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 (CONTINUED)

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets, at year-end	\$ <u>242,014</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>242,014</u></u>

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, 2020 for general expenditure are as follows:

Cash and cash equivalents	\$ 217,070
Unconditional promises to give, current portion	<u>24,944</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>242,014</u></u>

NOTE 10 - GOVERNANCE BOARD DESIGNATIONS

The Organization's governing board has designated, from net assets without donor restrictions of \$1,109,679, net assets for the following purposes as of December 31, 2020:

Audit reserve	\$ 4,000
Operating reserve	40,000
WRL Idea Studio	27,566
Brose + anonymous endowment	845,686
Halverson endowment	<u>192,427</u>
Total	\$ <u><u>1,109,679</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 March 8, 2021, the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Through the date of this report, there has been moderate impact on the financial condition of the Organization. Depending on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape, the disease could have a material adverse effect on the Organization's business, results of operations, financial condition, and cash flows.