

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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FOUNDATION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Friends of Williamsburg Regional Library Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Williamsburg Regional Library Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Williamsburg Regional Library Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of Williamsburg Regional Library Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Williamsburg Regional Library Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Robinson, Farnum, Cox Associates

Richmond, Virginia
March 14, 2023

FINANCIAL STATEMENTS

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

Assets

Current Assets:

Cash and cash equivalents \$ 360,106

Unconditional promises to give, current portion 5,831Total current assets \$ 365,937

Noncurrent Assets:

Certificates of deposit \$ 10,377

Investments 3,091,445

Unconditional promises to give, net of current portion 3,431Total noncurrent assets \$ 3,105,253Total assets \$ 3,471,190Net Assets

Net Assets:

Net assets without donor restrictions:

Board designated \$ 1,112,631

Undesignated 1,631,197

Net assets with donor restrictions 727,362Total net assets \$ 3,471,190

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, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Dividends and interest income	\$ 74,425	\$ -	\$ 74,425
Unrealized gain (loss) on investments	(499,068)	-	(499,068)
Memberships	134,889	-	134,889
Gifts and donations	14,127	43,229	57,356
Perpetual book funds	-	11,100	11,100
Capital campaign endowment contributions	-	9,949	9,949
Book sales	114,774	-	114,774
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>33,163</u>	<u>(33,163)</u>	<u>-</u>
Total support, revenues, and gains	\$ <u>(127,690)</u>	\$ <u>31,115</u>	\$ <u>(96,575)</u>
Expenses:			
Program services:			
Library materials and programs	\$ 270,568	\$ -	\$ 270,568
Supporting services:			
Management and general	<u>6,675</u>	<u>-</u>	<u>6,675</u>
Total expenses	\$ <u>277,243</u>	\$ <u>-</u>	\$ <u>277,243</u>
Increase (decrease) in net assets	\$ (404,933)	\$ 31,115	\$ (373,818)
Net assets at beginning of year	<u>3,148,761</u>	<u>696,247</u>	<u>3,845,008</u>
Net assets at end of year	<u>\$ 2,743,828</u>	<u>\$ 727,362</u>	<u>\$ 3,471,190</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, 2022

	Program Services	Supporting Services	
	Library Materials and Programs	Management and General	Total
Support of WRL	\$ 257,739	\$ -	\$ 257,739
FWRLF committee expenses	3,541	-	3,541
Audit services	-	6,675	6,675
Bank fees and miscellaneous	1,113	-	1,113
Fees to WRL	4,000	-	4,000
Insurance	1,103	-	1,103
Postage	1,591	-	1,591
Stationery	1,481	-	1,481
	<u>270,568</u>	<u>6,675</u>	<u>277,243</u>
Total expenses	<u>\$ 270,568</u>	<u>\$ 6,675</u>	<u>\$ 277,243</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, 2022

Cash flows from operating activities:	
Change in net assets	\$ (373,818)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Unrealized (gains) losses on investments	475,572
Fees charged on investments	23,496
Receipts of interest and dividends reinvested	(74,394)
(Increase) decrease in current and noncurrent assets:	
Unconditional promises to give	31,743
Net cash provided by (used for) operating activities	\$ <u>82,599</u>
Cash flows from investing activities:	
Purchase of investments	\$ (38,016)
Sale of investments	30,000
Net cash provided by (used for) investing activities	\$ <u>(8,016)</u>
Net increase (decrease) in cash	\$ 74,583
Cash and cash equivalents, beginning of year	<u>285,523</u>
Cash and cash equivalents, end of year	<u><u>\$ 360,106</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, 2022

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, 2022 the Organization had net assets without donor restrictions of \$2,743,828. The Board has designated \$1,112,631 of these funds at December 31, 2022.

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, 2022, the Organization had net assets with donor restrictions of \$727,362. 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, 2022 (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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) Revenue and Revenue Recognition

Membership dues which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. The Organization recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. Payments are required at the time of sale or start of the membership period; amounts received in advance are deferred to the applicable period.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2022 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		447,221
Campaign and other endowment funds		149,968
Total	\$	<u>727,362</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.

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (CONTINUED)

NOTE 4 - RELATED PARTIES

During the year ended December 31, 2022, the Organization recognized related party expenses of \$257,739 that were contributed to Williamsburg Regional Library to fund certain collections, programs, and services.

NOTE 5 - ENDOWMENT FUND

Net assets with donor restrictions at December 31, 2022 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, 2022 (CONTINUED)

NOTE 6 - INVESTMENTS

Investments at December 31, 2022 were as follows:

U.S. Common Stocks	\$ 2,054,115
Money Market Mutual Funds	296,393
Corporate Bonds	740,937
Total	<u>\$ 3,091,445</u>

Investment income for the year ended December 31, 2022 was as follows:

Dividends and interest income	\$ 74,388
Unrealized and realized gains (losses) on investments	(475,572)
Less investment fees	(23,496)
Total	<u>\$ (424,680)</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.

Fair value of assets (liabilities) measured on a recurring basis at December 31, 2022 was as follows:

	<u>Level 1</u>	<u>Total</u>
U.S. Common Stocks	\$ 2,054,115	\$ 2,054,115
Money Market Mutual Funds	296,393	296,393
Corporate Bonds	740,937	740,937
Total	<u>\$ 3,091,445</u>	<u>\$ 3,091,445</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (CONTINUED)

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Amount due in:	
Less than one year	\$ 5,831
One to five years	3,431
Gross unconditional promises to give	<u>\$ 9,262</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 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2022. 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 statement of financial position date have not been subtracted as unavailable.

Financial assets, at year-end	\$ <u>365,937</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 365,937</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, 2022 for general expenditure are as follows:

Cash and cash equivalents	\$ 360,106
Unconditional promises to give, current portion	<u>5,831</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 365,937</u>

FRIENDS OF WILLIAMSBURG REGIONAL LIBRARY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 (CONTINUED)**

NOTE 10 - GOVERNANCE BOARD DESIGNATIONS

The Organization's governing board has designated, from net assets without donor restrictions of \$1,102,631, net assets for the following purposes as of December 31, 2022:

Audit reserve	\$	4,000
Operating reserve		40,000
WRL Idea Studio		20,518
Brose + anonymous endowment		855,686
Halverson endowment		<u>192,427</u>
Total	\$	<u><u>1,112,631</u></u>

NOTE 11 - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through March 14, 2023, the date the financial statements were available to be issued.