

BLACKWATER REGIONAL LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

BLACKWATER REGIONAL LIBRARY

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Trustees
Blackwater Regional Library
Courtland, Virginia

Opinion

We have audited the accompanying financial statements of Blackwater Regional Library (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022 and 2021, 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 Blackwater Regional Library as of June 30, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blackwater Regional Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Blackwater Regional Library's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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 Blackwater Regional Library'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 Blackwater Regional Library'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.

Report on Summarized Comparative Information

We have previously audited Blackwater Regional Library's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived.

Barnes, Brack, Connell & Painter, PLLC

Franklin, Virginia
October 31, 2022

BLACKWATER REGIONAL LIBRARY

**STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

ASSETS		
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 521,560	\$ 465,929
Total current assets	<u>\$ 521,560</u>	<u>\$ 465,929</u>
PROPERTY AND EQUIPMENT:		
Furniture, fixtures and equipment	\$ 471,191	\$ 366,777
Vehicles	107,286	107,286
Total property and equipment	<u>\$ 578,477</u>	<u>\$ 474,063</u>
Less accumulated depreciation	(302,107)	(201,336)
Net property and equipment	<u>\$ 276,370</u>	<u>\$ 272,727</u>
OTHER ASSETS:		
Investments at fair value	<u>\$ 2,110,057</u>	<u>\$ 2,573,119</u>
 Total assets	 <u>\$ 2,907,987</u>	 <u>\$ 3,311,775</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 59	\$ 2,267
Total current liabilities	<u>\$ 59</u>	<u>\$ 2,267</u>
NET ASSETS:		
Without donor restrictions	\$ 531,923	\$ 530,380
With donor restrictions	2,376,005	2,779,128
Total net assets	<u>\$ 2,907,928</u>	<u>\$ 3,309,508</u>
 Total liabilities and net assets	 <u>\$ 2,907,987</u>	 <u>\$ 3,311,775</u>

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

BLACKWATER REGIONAL LIBRARY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
OPERATING REVENUE AND SUPPORT:				
Contributions from Municipalities	\$ 1,732,717	\$ -	\$ 1,732,717	\$ 1,708,459
State Aid	497,671	-	497,671	488,590
Grants	7,595	116,748	124,343	65,910
Fines, copier fees, etc.	39,621	-	39,621	38,571
E-Rate internet & telephone	41,883	-	41,883	58,658
Branch discretionary income	22,994	-	22,994	13,438
Other income	1,066	-	1,066	-
Net assets released from restrictions	137,627	(137,627)	-	-
Total revenue and support	<u>\$ 2,481,174</u>	<u>\$ (20,879)</u>	<u>\$ 2,460,295</u>	<u>\$ 2,373,626</u>
EXPENSES:				
Program services	\$ 2,039,289	\$ -	\$ 2,039,289	\$ 1,958,840
Management and general	440,797	-	440,797	416,522
Fundraising	-	-	-	-
Total expenses	<u>\$ 2,480,086</u>	<u>\$ -</u>	<u>\$ 2,480,086</u>	<u>\$ 2,375,362</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES				
	<u>\$ 1,088</u>	<u>\$ (20,879)</u>	<u>\$ (19,791)</u>	<u>\$ (1,736)</u>
NON-OPERATING ACTIVITIES				
Interest income	\$ 455	\$ -	\$ 455	\$ 453
Investment income - net	-	54,664	54,664	46,315
Realized gain (loss) on investments	-	79,622	79,622	108,421
Unrealized gain (loss) on investments	-	(516,530)	(516,530)	420,194
CHANGES FROM NON-OPERATING ACTIVITIES				
	<u>\$ 455</u>	<u>\$ (382,244)</u>	<u>\$ (381,789)</u>	<u>\$ 575,383</u>
CHANGES IN NET ASSETS				
	<u>\$ 1,543</u>	<u>\$ (403,123)</u>	<u>\$ (401,580)</u>	<u>\$ 573,647</u>
NET ASSETS, BEGINNING OF YEAR				
	<u>530,380</u>	<u>2,779,128</u>	<u>3,309,508</u>	<u>2,735,861</u>
NET ASSETS, END OF YEAR				
	<u><u>\$ 531,923</u></u>	<u><u>\$ 2,376,005</u></u>	<u><u>\$ 2,907,928</u></u>	<u><u>\$ 3,309,508</u></u>

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

BLACKWATER REGIONAL LIBRARY

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	PROGRAM ACTIVITIES	SUPPORTING ACTIVITIES				2022 Total	2021 Total
	Program Services	Management and General	Fund Raising	Supporting Subtotal			
Salaries and wages	\$ 849,448	\$ 283,149	\$ -	\$ 283,149	\$ 1,132,597	\$ 1,066,922	
Payroll taxes	64,250	21,416	-	21,416	85,666	80,297	
Employee benefits	275,753	91,918	-	91,918	367,671	357,719	
Total salaries and related expenses	\$ 1,189,451	\$ 396,483	\$ -	\$ 396,483	\$ 1,585,934	\$ 1,504,938	
Automation	218,750	-	-	-	218,750	218,903	
Resources - adult books	103,168	-	-	-	103,168	93,554	
Resources - juvenile books	34,368	-	-	-	34,368	30,022	
Resources - DVD video	23,713	-	-	-	23,713	36,150	
Resources - audio books	15,431	-	-	-	15,431	15,528	
Resources - E-books	44,018	-	-	-	44,018	50,811	
Resources - periodicals	7,161	-	-	-	7,161	5,305	
Resources - restricted funds	56,879	-	-	-	56,879	70,594	
Databases	44,159	-	-	-	44,159	46,005	
Programs - marketing	2,503	-	-	-	2,503	3,000	
Programs - summer reading	5,997	-	-	-	5,997	6,000	
Programs - supplies	511	-	-	-	511	6,909	
Supplies - processing	18,037	-	-	-	18,037	13,955	
Supplies - other	12,363	-	-	-	12,363	11,925	
Contractual Services	24,383	8,128	-	8,128	32,511	21,477	
Advertising	-	77	-	77	77	1,782	
Accounting and legal	-	8,500	-	8,500	8,500	8,050	
Computer - technology	1,000	-	-	-	1,000	15,000	
Covid-19 Expenses	-	-	-	-	-	4,874	
Fuel and maintenance - bookmobile	1,434	-	-	-	1,434	683	
Fuel and maintenance - van	6,377	-	-	-	6,377	4,542	
Maintenance - building	16,000	-	-	-	16,000	5,145	
Dues and memberships	169	-	-	-	169	1,006	
Insurance	33,623	-	-	-	33,623	34,023	
Library administration	-	5,419	-	5,419	5,419	4,743	
Office supplies and postage	-	22,190	-	22,190	22,190	20,342	
Staff training	6,499	-	-	-	6,499	-	
Staff travel	7,052	-	-	-	7,052	625	
Telephone	21,214	-	-	-	21,214	24,494	
Utilities	15,549	-	-	-	15,549	31,291	
Discretionary expenses	28,710	-	-	-	28,710	10,484	
Miscellaneous expenses	-	-	-	-	-	1,561	
Depreciation	100,770	-	-	-	100,770	71,641	
Total expenses	\$ 2,039,289	\$ 440,797	\$ -	\$ 440,797	\$ 2,480,086	\$ 2,375,362	

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

BLACKWATER REGIONAL LIBRARY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (401,580)	\$ 573,647
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	100,770	71,641
Realized and unrealized (gain) loss on investments	436,908	(528,615)
(Increase) decrease in assets:		
Increase (decrease) in liabilities:		
Accounts payable	<u>(2,208)</u>	<u>848</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 133,890</u>	<u>\$ 117,521</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of equipment	\$ (104,413)	\$ (153,454)
Purchase of investment securities	(310,197)	(393,019)
Proceeds from sale of investments	<u>336,351</u>	<u>348,550</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (78,259)</u>	<u>\$ (197,923)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings - Notes Payable	<u>\$ -</u>	<u>\$ -</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	<u>\$ 55,631</u>	<u>\$ (80,402)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>465,929</u>	<u>546,331</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 521,560</u></u>	<u><u>\$ 465,929</u></u>
SHOWN ON STATEMENTS OF FINANCIAL POSITION AS:		
Cash and cash equivalents		
Unrestricted	\$ 433,628	\$ 377,118
Temporarily restricted	87,932	88,811
	<u>\$ 521,560</u>	<u>\$ 465,929</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION

Interest expense paid during the year	<u>\$ -</u>	<u>\$ -</u>
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See independent auditor's report and accompanying notes to the financial statements.

BLACKWATER REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

Blackwater Regional Library is a nonprofit association that operates libraries in the City of Franklin and the Counties of Isle of Wight, Sussex, Surry, and Southampton. The Library's mission is to provide library resources and access to technology to these five municipalities. It also provides numerous programs to children and adults. Some of the major programs are the summer reading program, story time, crafts, and book clubs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements of Blackwater Regional Library have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Basis of Presentation

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC).

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Library's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Donated Assets and Services

The Organization recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

Many individuals volunteer their time to perform a variety of tasks that assist the Organization's program services. Volunteers' services neither create nor enhance the financial assets nor do they require special skills, and thus are not recognized as support in the accompanying statements of activities and changes in net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Library considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The operating and money market funds are combined in the Southampton County bank accounts.

BLACKWATER REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property & Equipment

Property and equipment are recorded at cost. Donated assets are recognized in the accompanying financial statements at their estimated fair market values at the date they are received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Replacements of equipment are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Furniture, fixtures, and equipment	5 - 10 years
Vehicles	5 years

Depreciation expense amounted to \$100,700 and \$71,641 for the years ended June 30, 2022 and 2021, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Bank deposits and certificates of deposit maintained with investment portfolios are included in cash and cash equivalents. Unrealized gains and losses are reported as changes from non-operating activities in the accompanying statements of activities. Realized gains and losses on investment transactions are determined on the first-in, first-out basis except for mutual funds in which realized gains and losses are determined on an average cost basis.

Income Taxes

Blackwater Regional Library, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. The Organization's federal income tax returns, (Form 990) for the fiscal years ending 2022, 2021, 2020, 2019, the only open years under the statute of limitations, have not been examined by the Internal Revenue Service.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on changes in net assets previously reported.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Organization expenses the cost of advertising when incurred. Advertising costs amounted to \$77 and \$1,782 for the years ended June 30, 2022 and 2021, respectively.

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs are allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

These expenses that are allocated include the following:

<u>Expense:</u>	<u>Method of Allocation:</u>
Salaries, payroll taxes, and benefits	Time and effort
Contractual services	Reasonable basis consistently applied
Advertising	Reasonable basis consistently applied
Accounting and legal	Reasonable basis consistently applied
Library Administration	Reasonable basis consistently applied
Office supplies and postage	Reasonable basis consistently applied

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Contributions and Grants

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Library includes contributions as "Branch discretionary income" on the Statement of Activities and Changes in Net Assets.

NOTE 3 - CONCENTRATION OF CREDIT AND MARKET RISK:

At June 30, 2022, the Organization had no certificates of deposit that exceed the federally insured limit of \$250,000. Some cash is contained in the Wells Fargo brokerage account that is not insured by the FDIC. Other library funds are held in the County of Southampton bank accounts.

NOTE 4 - EXPENDITURE OF STATE AID:

State aid payments were expended as follows:

	<u>2022</u>	<u>2021</u>
Books and materials	\$ 272,018	\$ 243,285
Professional staff	67,000	66,000
Program supplies	18,548	19,161
Automation	101,142	117,659
Library furniture	5,000	17,000
Contractual services	29,151	20,276
Other	4,812	5,209
TOTAL	<u>\$ 497,671</u>	<u>\$ 488,590</u>

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 - CONTRIBUTIONS FROM MUNICIPALITIES:

Contributions from Municipalities for fiscal years 2022 and 2021 are as follows:

	2022	2021
City of Franklin	\$ 266,157	\$ 234,489
Isle of Wight County	854,590	833,737
Sussex County	186,151	191,065
Surry County	151,954	171,256
Southampton County	273,865	277,912
TOTAL	\$ 1,732,717	\$ 1,708,459

NOTE 6 - FAIR VALUE MEASUREMENTS:

In accordance with FASB (ASC) 820, Fair Value Measurements and Disclosures, the Organization accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability.

FASB (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Common Stocks: Valued at the closing price reported on active market on which the individual securities are traded.

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued):

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021.

Assets at Fair Value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 991,512	\$ -	\$ -	\$ 991,512
Common Stocks	1,118,545	-	-	1,118,545
Total assets at fair value	\$ 2,110,057	\$ -	\$ -	\$ 2,110,057

Assets at Fair Value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,344,413	\$ -	\$ -	\$ 1,344,413
Common Stocks	1,228,706	-	-	1,228,706
Total assets at fair value	\$ 2,573,119	\$ -	\$ -	\$ 2,573,119

NOTE 7 - BRANCH DISCRETIONARY ACCOUNTS & DESIGNATED NET ASSETS:

During the year, \$22,994 of funds were received for the individual branches to be used by the branch managers to run various programs at their discretion. During the year, \$28,710 was expended from these funds and at June 30, 2022, there was a balance of \$23,449 held for this purpose. This amount is included in net assets without donor restrictions on the statement of financial position.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by donor.

	<u>2022</u>	<u>2021</u>
Program expenses	<u>\$ 137,627</u>	<u>\$ 90,884</u>

NOTE 9 - RESTRICTIONS ON NET ASSETS:

Net assets with donor restrictions consists of grants from several organizations that are available for the purpose of running various library programs. The amount of these grants that were not expended as of June 30, 2022 was \$87,932. The Organization's investments are endowed. During the year ended June 30, 2022, \$20,000 was transferred from the endowment fund to fund operations of the Courtland branch.

Restricted net assets are available for the following purpose:

	<u>2022</u>	<u>2021</u>
Time restrictions on pledges receivable, net	\$ -	\$ -
Restrictions for specific use - Grants	87,932	88,811
Restrictions for specific use - Endowment fund	2,288,073	2,690,317
	<u>\$ 2,376,005</u>	<u>\$ 2,779,128</u>

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 - ENDOWMENTS:

The Organization's endowment funds consists of assets held with Wells Fargo Advisors which are to be overseen by the Library's Board of Trustees. The funds are to be used to aid in the operating needs of the Courtland Branch. Payout of these funds is at the discretion of the Board. The investment objective is to earn an annual return of 3-4% above inflation over time. The Organization has a written investment policy that specifies the investment guidelines and asset allocation of these funds. The following schedule summarized the endowment activity for the years ended June 30, 2022 and 2021, respectively.

	Restricted for Time or Purpose	
	2022	2021
Beginning of year	\$ 2,690,317	\$ 2,135,387
Investment Return - net	(382,244)	574,930
Appropriation for expenditure	(20,000)	(20,000)
End of year	<u>\$ 2,288,073</u>	<u>\$ 2,690,317</u>

NOTE 11 - RELATED PARTY TRANSACTIONS:

The Organization receives donations from the Friends of the Library. These are 501(C)(3) organizations that help support the various branches. Amounts received totaled \$7,069 and \$3,456 as of June 30, 2022 and 2021, respectively.

NOTE 12 - LEASE ARRANGEMENTS:

The Organization leases equipment through a noncancelable operating lease with terms through September 2026. Rent expense includes \$18,210 and \$18,664 attributable to these operating leases for the years ended June 30, 2022 and 2021. These amounts are included in contractual services in the statements of activities. The Organization signed a new lease in June 2021. due to an upgrade in the equipment.

The following is a schedule of future minimum lease payments under this lease at June 30, 2022

Year Ended June 30,	Amount
2023	\$ 19,185
2024 - 2026	62,350
TOTAL	<u>\$ 81,535</u>

NOTE 13 - INVESTMENTS:

Investments - temporarily restricted, fair value consist of:

	June 30, 2022	
	Cost Basis	Fair Market Value
Mutual Funds	\$ 1,055,638	\$ 991,512
Common Stocks	840,992	1,118,545
Total assets	<u>\$ 1,896,630</u>	<u>\$ 2,110,057</u>
	June 30, 2021	
	Cost Basis	Fair Market Value
Mutual Funds	\$ 1,164,887	\$ 1,344,413
Common Stocks	682,440	1,228,706
Total assets	<u>\$ 1,847,327</u>	<u>\$ 2,573,119</u>

Realized and unrealized gains (losses) amounted to (\$436,908) and \$528,615 for the years ended June 30, 2022 and 2021, respectively. Investment interest and dividend revenue, net of management fees, amounted to \$54,664 and \$46,315 for the years ended June 30, 2022 and 2021, respectively, and is included on the accompanying statements of activities and changes in net assets.

See independent auditor's report. Notes continued on next page.

BLACKWATER REGIONAL LIBRARY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 – PENSION PLAN

All full-time, salaried & permanent employees of the Blackwater Regional Library are automatically covered by the Virginia Retirement System (VRS) upon employment along with other employees of Southampton County. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS plan, the System administers three different benefit plans for local government employees: each with a different eligibility and benefit structure. The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS.

Plan members are required by Title 51.1-145 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. Blackwater Regional Library is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. For fiscal years June 30, 2022 and 2021, the Board of Trustees adopted contribution rates of 12.34% and 11.67%. The Library's pension expense for June 30, 2022 and 2021 were \$106,856 and \$98,411, respectively.

NOTE 15 – GROUP LIFE INSURANCE PROGRAM

Group life insurance is also covered under VRS. All full-time, salaried & permanent employees of the Blackwater Regional Library are eligible. The Library pays 100% of these costs. The VRS Board of Trustees adopted a contribution rate of 1.34% and 1.31% for fiscal years June 30, 2022 and 2021. State life insurance expense was \$11,189 and \$10,313 for those years.

NOTE 16 – HEALTH INSURANCE

Blackwater Regional Library offers health insurance to all full-time, salaried & permanent employees through a cost sharing plan. All active employees are responsible for a portion of the cost and the Library pays the difference. These amounts differ, depending of the type of plan chosen. Health insurance expense for the years June 30, 2022 and 2021 were \$249,626 and \$248,995, respectively.

NOTE 17 - LIQUIDITY:

The Organization's financial assets available within one year of the financial statements of financial position sheet date for general expenditure are as follows:

	<u>2022</u>
Financial Assets:	
Cash and cash equivalents	\$ 521,560
Investments	2,110,057
Total financial assets	<u>\$ 2,631,617</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(2,376,005)
Board designated net assets	(23,449)
Financial assets not available to be used within one year	<u>\$ (2,399,454)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 232,163</u>

BLACKWATER REGIONAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 18 - COVID 19:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. The future effects of these issues are unknown.

NOTE 19 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 31, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through October 31, 2022 that would require adjustment to, or disclosure in, the financial statements.