

BLACKWATER REGIONAL LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

BLACKWATER REGIONAL LIBRARY

**FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risk 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 Blackwater Regional Library as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Brock, Cornwell & Painter, PLC

October 31, 2021
Franklin, Virginia

BLACKWATER REGIONAL LIBRARY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	\$ 119,998	\$ 138,151
Due from Southampton County	345,931	408,180
Total current assets	\$ 465,929	\$ 546,331
PROPERTY AND EQUIPMENT:		
Furniture, fixtures and equipment	\$ 366,777	\$ 213,323
Vehicles	107,286	107,286
Total property and equipment	\$ 474,063	\$ 320,609
Less accumulated depreciation	(201,336)	(129,696)
Net property and equipment	\$ 272,727	\$ 190,913
OTHER ASSETS:		
Investments at fair value	\$ 2,573,119	\$ 2,000,036
Total assets	\$ 3,311,775	\$ 2,737,280
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,267	\$ 1,419
Total current liabilities	\$ 2,267	\$ 1,419
NET ASSETS:		
Without donor restrictions	\$ 530,380	\$ 498,779
With donor restrictions	2,779,128	2,237,082
Total net assets	\$ 3,309,508	\$ 2,735,861
Total liabilities and net assets	\$ 3,311,775	\$ 2,737,280

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

BLACKWATER REGIONAL LIBRARY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING REVENUE AND SUPPORT:				
Contributions from Municipalities	\$ 1,708,459	\$ -	\$ 1,708,459	\$ 1,689,558
State Aid	488,590	-	488,590	461,595
Grants	7,910	58,000	65,910	57,910
Fines, copier fees, etc.	38,571	-	38,571	38,429
E-Rate internet & telephone	58,658	-	58,658	46,362
Branch discretionary income	13,438	-	13,438	16,781
Other income	-	-	-	3,883
Net assets released from restrictions	90,884	(90,884)	-	-
Total revenue and support	<u>\$ 2,406,510</u>	<u>\$ (32,884)</u>	<u>\$ 2,373,626</u>	<u>\$ 2,314,518</u>
EXPENSES:				
Program services	\$ 1,958,840	\$ -	\$ 1,958,840	\$ 1,817,764
Management and general	416,522	-	416,522	417,512
Fundraising	-	-	-	-
Total expenses	<u>\$ 2,375,362</u>	<u>\$ -</u>	<u>\$ 2,375,362</u>	<u>\$ 2,235,276</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ 31,148</u>	<u>\$ (32,884)</u>	<u>\$ (1,736)</u>	<u>\$ 79,242</u>
NON-OPERATING ACTIVITIES				
Interest income	\$ 453	\$ -	\$ 453	\$ 454
Investment income - net	-	46,315	46,315	48,133
Realized gain (loss) on investments	-	108,421	108,421	(28,608)
Unrealized gain (loss) on investments	-	420,194	420,194	22,103
CHANGES FROM NON-OPERATING ACTIVITIES	<u>\$ 453</u>	<u>\$ 574,930</u>	<u>\$ 575,383</u>	<u>\$ 42,082</u>
CHANGES IN NET ASSETS	\$ 31,601	\$ 542,046	\$ 573,647	\$ 121,324
NET ASSETS, BEGINNING OF YEAR	<u>498,779</u>	<u>2,237,082</u>	<u>2,735,861</u>	<u>2,614,537</u>
NET ASSETS, END OF YEAR	<u>\$ 530,380</u>	<u>\$ 2,779,128</u>	<u>\$ 3,309,508</u>	<u>\$ 2,735,861</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, 2021 AND 2020**

	PROGRAM ACTIVITIES		SUPPORTING ACTIVITIES			2021 Total	2020 Total
	Program Services	Management and General	Fund Raising	Supporting Subtotal			
Salaries and wages	\$ 800,191	\$ 266,731	\$ -	\$ 266,731	\$ 1,066,922	\$ 1,060,009	
Payroll taxes	60,223	20,074	-	20,074	80,297	78,718	
Employee benefits	268,289	89,430	-	89,430	357,719	338,858	
Total salaries and related expenses	\$ 1,128,703	\$ 376,235	\$ -	\$ 376,235	\$ 1,504,938	\$ 1,477,585	
Automation	218,903	-	-	-	218,903	178,102	
Resources - adult books	93,554	-	-	-	93,554	65,339	
Resources - juvenile books	30,022	-	-	-	30,022	34,110	
Resources - DVD video	36,150	-	-	-	36,150	40,953	
Resources - audio books	15,528	-	-	-	15,528	17,678	
Resources - E-books	50,811	-	-	-	50,811	52,221	
Resources - periodicals	5,305	-	-	-	5,305	10,731	
Resources - restricted funds	70,594	-	-	-	70,594	36,873	
Databases	46,005	-	-	-	46,005	49,166	
Programs - marketing	9,000	-	-	-	9,000	2,974	
Programs - supplies	6,909	-	-	-	6,909	6,844	
Supplies - processing	13,955	-	-	-	13,955	11,728	
Supplies - other	11,925	-	-	-	11,925	6,582	
Contractual Services	16,107	5,370	-	5,370	21,477	25,891	
Advertising	-	1,782	-	1,782	1,782	1,205	
Accounting and legal	-	8,050	-	8,050	8,050	7,675	
Computer - technology	15,000	-	-	-	15,000	-	
Covid-19 Expenses	4,874	-	-	-	4,874	-	
Fuel and maintenance - bookmobile	683	-	-	-	683	887	
Fuel and maintenance - van	4,542	-	-	-	4,542	4,648	
Maintenance - building	5,145	-	-	-	5,145	16,000	
Dues and memberships	1,006	-	-	-	1,006	200	
Insurance	34,023	-	-	-	34,023	27,335	
Library administration	-	4,743	-	4,743	4,743	4,392	
Office supplies and postage	-	20,342	-	20,342	20,342	28,372	
Staff training	-	-	-	-	-	4,109	
Staff travel	625	-	-	-	625	1,359	
Telephone	24,494	-	-	-	24,494	23,786	
Utilities	31,291	-	-	-	31,291	15,513	
Summer reading program	-	-	-	-	-	6,577	
Discretionary expenses	10,484	-	-	-	10,484	22,347	
Miscellaneous expenses	1,561	-	-	-	1,561	229	
Depreciation	71,641	-	-	-	71,641	53,865	
Total expenses	\$ 1,958,840	\$ 416,522	\$ -	\$ 416,522	\$ 2,375,362	\$ 2,235,276	

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 573,647	\$ 121,324
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	71,641	53,865
Realized and unrealized (gain) loss on investments	(528,615)	6,505
(Increase) decrease in assets:		
Due from Southampton County	62,249	(76,672)
Increase (decrease) in liabilities:		
Accounts payable	848	(1,357)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 179,770</u>	<u>\$ 103,665</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of vehicle and equipment	\$ (153,454)	\$ (75,531)
Purchase of investment securities	(393,019)	(266,832)
Proceeds from sale of investments	348,550	321,921
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (197,923)</u>	<u>\$ (20,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings - Notes Payable	<u>\$ -</u>	<u>\$ -</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (18,153)	\$ 83,223
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>138,151</u>	<u>54,928</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 119,998</u></u>	<u><u>\$ 138,151</u></u>
SHOWN ON STATEMENTS OF FINANCIAL POSITION AS:		
Cash and cash equivalents		
Unrestricted	\$ 119,998	\$ 138,151
Temporarily restricted	-	-
	<u><u>\$ 119,998</u></u>	<u><u>\$ 138,151</u></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, 2021 AND 2020

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 Financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified 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.

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.

BLACKWATER REGIONAL LIBRARY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Accounts Receivable

The operating and money market funds are combined in the Southampton County bank account and shown on the statement of financial position as a receivable from Southampton County.

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 \$71,641 and \$53,865 for the years ended June 30, 2021 and 2020, respectively.

Investments

The Organization records investments at fair market value based on quoted prices in active markets (all Level 1 measurements) and are classified by management as available-for-sale. Accordingly, realized gains and losses, if any, are determined on the basis of the actual cost of the securities sold. Unrealized gains and losses are presented as a single amount in the statement of activities. Gifts of investments are recorded at their fair market value (based upon quotations or appraisals) at the date of the gift. Purchases and sales of investments are recorded on the trade date.

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 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 2020 financial statements have been reclassified to conform to the 2021 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 \$1,782 and \$1,205 for the years ended June 30, 2021 and 2020, respectively.

BLACKWATER REGIONAL LIBRARY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2020, 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.

Change in Accounting Principle - Retrospective Application

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - CONCENTRATION OF CREDIT AND MARKET RISK:

At June 30, 2021, 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.

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 - EXPENDITURE OF STATE AID:

State aid payments were expended as follows:

	<u>2021</u>	<u>2020</u>
Books and materials	\$ 243,285	\$ 234,720
Professional staff	66,000	69,615
Program supplies	19,161	13,298
Automation	117,659	110,330
Library furniture	17,000	5,155
Contractual services	20,276	23,272
Other	<u>5,209</u>	<u>5,205</u>
TOTAL	<u>\$ 488,590</u>	<u>\$ 461,595</u>

NOTE 5 - CONTRIBUTIONS FROM MUNICIPALITIES:

Contributions from Municipalities for fiscal years 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
City of Franklin	\$ 234,489	\$ 282,567
Isle of Wight County	833,737	806,748
Sussex County	191,065	176,698
Surry County	171,256	150,154
Southampton County	<u>277,912</u>	<u>273,391</u>
TOTAL	<u>\$ 1,708,459</u>	<u>\$ 1,689,558</u>

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.

BLACKWATER REGIONAL LIBRARY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued):

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, 2021 and 2020.

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.

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, 2021 and 2020.

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

Assets at Fair Value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,010,271	\$ -	\$ -	\$ 1,010,271
Common Stocks	989,765	-	-	989,765
Total assets at fair value	\$ 2,000,036	\$ -	\$ -	\$ 2,000,036

NOTE 7 - BRANCH DISCRETIONARY ACCOUNTS & DESIGNATED NET ASSETS:

During the year, \$13,438 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, \$10,484 was expended from these funds and at June 30, 2021, there was a balance of \$29,166 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.

	2021	2020
Program expenses	\$ 90,884	\$ 56,813

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 was \$88,811. The Organization's investments are endowed. During the year ended June 30, 2021, \$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>2021</u>	<u>2020</u>
Time restrictions on pledges receivable, net	\$ -	\$ -
Restrictions for specific use - Grants	88,811	101,695
Restrictions for specific use - Endowment fund	<u>2,690,317</u>	<u>2,135,387</u>
	<u>\$ 2,779,128</u>	<u>\$ 2,237,082</u>

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, 2021 and 2020, respectively.

	<u>Restricted for Time or Purpose</u>	
	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 2,135,387	\$ 2,113,758
Investment Return - net	574,930	41,629
Appropriation for expenditure	<u>(20,000)</u>	<u>(20,000)</u>
End of year	<u>\$ 2,690,317</u>	<u>\$ 2,135,387</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 \$3,456 and \$7,840 as of June 30, 2021 and 2020, respectively.

NOTE 12 - LEASE ARRANGEMENTS:

The Organization leases equipment through a noncancelable operating lease with terms through September 2026. Rent expense includes \$18,664 and \$20,000 attributable to these operating leases for the years ended June 30, 2021 and 2020. 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, 2021

<u>Year Ended</u>	<u>Amount</u>
<u>June 30,</u>	
2022	\$ 22,857
2023 - 2026	91,428
TOTAL	<u>\$ 114,285</u>

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

BLACKWATER REGIONAL LIBRARY

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 - INVESTMENTS:

Investments - temporarily restricted, fair value consist of:

	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	\$ 1,847,327	\$ 2,573,119

	June 30, 2020	
	Cost Basis	Fair Market Value
Mutual Funds	\$ 1,007,589	\$ 1,010,271
Common Stocks	696,331	989,765
Total assets	\$ 1,703,920	\$ 2,000,036

Realized and unrealized gains (losses) amounted to \$528,615 and (\$6,505) for the years ended June 30, 2021 and 2020, respectively. Investment interest and dividend revenue, net of management fees, amounted to \$46,315 and \$48,133 for the years ended June 30, 2021 and 2020, respectively, and is included on the accompanying statements of activities and changes in net assets.

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, 2021 and 2020, the Board of Trustees adopted contribution rates of 12.34% and 11.67%. The Library's pension expense for June 30, 2021 and 2020 were \$98,411 and \$91,865, 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, 2021 and 2020. State life insurance expense was \$10,313 and \$9,768 for those years.

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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, 2021 and 2020 were \$248,995 and \$237,225, 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:

	2021
Financial	
Cash and cash equivalents	\$ 119,998
Due from Southampton County	345,931
	2,573,119
Total financial assets	\$ 3,039,048
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(2,779,128)
Board designated net assets	(29,166)
Financial assets not available to be used within one year	\$ (2,808,294)
Financial assets available to meet general expenditures within one year	\$ 230,754

NOTE 18 - SUBSEQUENT EVENTS:

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. Subsequent events were evaluated through October 31, 2021, which is the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Financial Position date and through October 31, 2021 that would require adjustment to, or disclosure in, the financial statements.