

FAIRFAX LIBRARY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22



Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Fairfax Library Foundation

We have audited the accompanying financial statements of **Fairfax Library Foundation** (a nonprofit organization) which comprise the statements 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fairfax Library Foundation** 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.

Kositzka, Wicks and Company

Alexandria, Virginia
October 18, 2021

Fairfax Library Foundation

Statements of Financial Position June 30,

2021

2020

Assets

Current assets

Cash and cash equivalents	\$ 825,987	\$ 680,045
Pledges receivable	4,897	220
Prepaid expenses and other assets	13,474	38,322
	<u>844,358</u>	<u>718,587</u>

Property and equipment, net of accumulated depreciation

973

1,461

Other assets

Investments - endowment funds	5,962,875	4,837,503
Friends' Group investments	293,010	223,423
	<u>6,255,885</u>	<u>5,060,926</u>
Total assets	<u>\$ 7,101,216</u>	<u>\$ 5,780,974</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 12,343	\$ 9,160
Refundable advances	25,000	54,000
	<u>37,343</u>	<u>63,160</u>

Funds held on behalf of Friends' Group

293,010

223,423

Total liabilities

330,353

286,583

Net assets

Without donor restrictions	3,239,663	2,571,384
With donor restrictions	3,531,200	2,923,007
Total net assets	<u>6,770,863</u>	<u>5,494,391</u>
Total liabilities and net assets	<u>\$ 7,101,216</u>	<u>\$ 5,780,974</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

Statement of Activities for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 211,857	\$ 83,769	\$ 295,626
In-kind contributions	268,544	7,847	276,391
Special event (net of direct expenses of \$8,577)	40,769	-	40,769
Sales revenue	2,996	-	2,996
Investment income, net	597,113	684,405	1,281,518
Net assets released from restrictions	167,828	(167,828)	-
Total support and revenue	<u>1,289,107</u>	<u>608,193</u>	<u>1,897,300</u>
Expenses			
Program services			
Early literature	90,896	-	90,896
Books and materials	185,682	-	185,682
Presentations	73,538	-	73,538
Scholarships	128,877	-	128,877
Changing lives through literature 1,000 books before kindergarten	6,879	-	6,879
	1,142	-	1,142
Total program services	<u>487,014</u>	<u>-</u>	<u>487,014</u>
Supporting services			
Management and general	62,343	-	62,343
Fundraising	71,471	-	71,471
Total supporting services	<u>133,814</u>	<u>-</u>	<u>133,814</u>
Total expenses	<u>620,828</u>	<u>-</u>	<u>620,828</u>
Change in net assets	668,279	608,193	1,276,472
Net assets, beginning of year	<u>2,571,384</u>	<u>2,923,007</u>	<u>5,494,391</u>
Net assets, end of year	<u>\$ 3,239,663</u>	<u>\$ 3,531,200</u>	<u>\$ 6,770,863</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

Statement of Activities for the year ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 155,193	\$ 80,558	\$ 235,751
In-kind contributions	264,291	6,621	270,912
Sales revenue	7,735	-	7,735
Investment income, net	4,507	496	5,003
Net assets released from restrictions	143,706	(143,706)	-
Total support and revenue	575,432	(56,031)	519,401
Expenses			
Program services			
Early literature	167,518	-	167,518
Books and materials	192,180	-	192,180
Presentations	50,321	-	50,321
Scholarships	75,950	-	75,950
Changing lives through literature 1,000 books before kindergarten	13,917	-	13,917
	22,160	-	22,160
Total program services	522,046	-	522,046
Supporting services			
Management and general	61,666	-	61,666
Fundraising	67,556	-	67,556
Total supporting services	129,222	-	129,222
Total expenses	651,268	-	651,268
Change in net assets	(75,836)	(56,031)	(131,867)
Net assets, beginning of year	2,647,220	2,979,038	5,626,258
Net assets, end of year	\$ 2,571,384	\$ 2,923,007	\$ 5,494,391

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

**Statement of Functional Expenses
for the year ended June 30, 2021**

	Program services						Supporting services			Total
	Early literature	Books and materials	Presentations	Scholarships	Changing lives through literature	1,000 books before kindergarten	Total program services	Management and general	Fundraising	
Expenses										
Program benefits awarded	\$ 22,219	\$ 80,140	\$ 20,816	\$ 53,131	\$ 2,840	\$ -	\$ 179,146	\$ -	\$ 1,543	\$ 180,689
Salaries and benefits	11,696	22,722	9,397	16,578	884	149	61,426	7,679	7,679	76,784
Graphics and printing	7,456	2,016	3,988	207	11	469	14,147	4,573	-	18,720
Fees and other charges	6	11	4	8	-	-	29	560	2,221	2,810
Accounting service	-	-	-	-	-	-	-	15,900	-	15,900
Office supplies and expense	515	2	5,917	-	-	-	6,434	28	-	6,462
Depreciation	75	144	59	106	5	1	390	49	49	488
Computer maintenance and supplies	3,116	6,054	2,504	4,419	236	40	16,369	2,059	3,140	21,568
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	8,577	8,577
Meetings and recruitment	-	-	-	-	-	-	-	60	-	60
Dues and membership	119	-	-	-	-	-	119	465	525	1,109
Donor cultivation	-	-	-	-	-	-	-	58	-	58
Training	-	-	-	-	-	-	-	-	81	81
Postage	45	88	36	64	3	1	237	765	-	1,002
Insurance	657	1,276	528	931	50	8	3,450	351	-	3,801
Licenses and permits	-	-	-	-	-	-	-	425	-	425
Telephone	-	-	-	-	-	-	-	1,105	-	1,105
Contracted staff	8,999	3,300	1,365	2,409	128	21	16,222	1,272	2,524	20,018
Other	202	394	163	287	15	2	1,063	141	-	1,204
	<u>55,105</u>	<u>116,147</u>	<u>44,777</u>	<u>78,140</u>	<u>4,172</u>	<u>691</u>	<u>299,032</u>	<u>35,490</u>	<u>26,339</u>	<u>360,861</u>
In-kind salaries and benefits	33,515	65,112	26,932	47,509	2,535	422	176,025	25,146	50,293	251,464
In-kind office space	2,276	4,423	1,829	3,228	172	29	11,957	1,707	3,416	17,080
	<u>35,791</u>	<u>69,535</u>	<u>28,761</u>	<u>50,737</u>	<u>2,707</u>	<u>451</u>	<u>187,982</u>	<u>26,853</u>	<u>53,709</u>	<u>268,544</u>
Total expenses by function	<u>\$ 90,896</u>	<u>\$ 185,682</u>	<u>\$ 73,538</u>	<u>\$ 128,877</u>	<u>\$ 6,879</u>	<u>\$ 1,142</u>	<u>\$ 487,014</u>	<u>\$ 62,343</u>	<u>\$ 80,048</u>	<u>\$ 629,405</u>
Less expenses included with revenues on the statement of activities										
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	(8,577)	(8,577)
Total expenses included in the expense section on the statement of activities	<u>\$ 90,896</u>	<u>\$ 185,682</u>	<u>\$ 73,538</u>	<u>\$ 128,877</u>	<u>\$ 6,879</u>	<u>\$ 1,142</u>	<u>\$ 487,014</u>	<u>\$ 62,343</u>	<u>\$ 71,471</u>	<u>\$ 620,828</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

**Statement of Functional Expenses
for the year ended June 30, 2020**

	Program services						Supporting services			
	Early literature	Books and materials	Presentations	Scholarships	Changing lives through literature	1,000 books before kindergarten	Total program services	Management and general	Fundraising	Total
Expenses										
Program benefits awarded	\$ 74,702	\$ 93,363	\$ 15,859	\$ 37,727	\$ 4,826	\$ 3,352	\$ 229,829	\$ -	\$ 1,576	\$ 231,405
Salaries and benefits	17,947	20,340	5,146	8,093	1,910	2,379	55,815	6,977	6,977	69,769
Graphics and printing	6,591	5,695	1,613	1,244	294	7,445	22,882	2,433	1,967	27,282
Fees and other charges	-	-	-	-	-	-	-	622	1,519	2,141
Accounting service	-	-	-	-	-	-	-	18,326	-	18,326
Office supplies and expense	2,747	188	1,367	49	26	497	4,874	54	-	4,928
Depreciation	125	142	36	57	13	17	390	49	49	488
Computer maintenance and supplies	5,855	5,359	1,325	2,085	492	613	15,729	1,809	1,902	19,440
Meetings and recruitment	234	-	2,654	-	57	-	2,945	193	-	3,138
Dues and membership	159	46	12	18	4	5	244	980	552	1,776
Donor cultivation	-	-	-	-	-	-	-	119	-	119
Training	-	-	-	-	-	-	-	533	1,282	1,815
Travel	-	-	6	-	-	-	6	20	76	102
Postage	5	5	1	2	1	10	24	1,820	-	1,844
Insurance	1,249	1,416	358	563	133	166	3,885	53	-	3,938
Licenses and permits	-	-	-	-	-	-	-	455	205	660
Telephone	-	-	-	-	-	-	-	1,424	-	1,424
Contracted staff	1,101	1,248	5,658	497	117	146	8,767	489	978	10,234
Other	-	-	-	-	-	-	-	73	-	73
	<u>110,715</u>	<u>127,802</u>	<u>34,035</u>	<u>50,335</u>	<u>7,873</u>	<u>14,630</u>	<u>345,390</u>	<u>36,429</u>	<u>17,083</u>	<u>398,902</u>
In-kind salaries and benefits	52,959	60,021	15,184	23,881	5,635	7,020	164,700	23,529	47,057	235,286
In-kind office space	3,844	4,357	1,102	1,734	409	510	11,956	1,708	3,416	17,080
	<u>56,803</u>	<u>64,378</u>	<u>16,286</u>	<u>25,615</u>	<u>6,044</u>	<u>7,530</u>	<u>176,656</u>	<u>25,237</u>	<u>50,473</u>	<u>252,366</u>
Total expenses by function	<u>\$ 167,518</u>	<u>\$ 192,180</u>	<u>\$ 50,321</u>	<u>\$ 75,950</u>	<u>\$ 13,917</u>	<u>\$ 22,160</u>	<u>\$ 522,046</u>	<u>\$ 61,666</u>	<u>\$ 67,556</u>	<u>\$ 651,268</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

Statements of Cash Flows for the years ended June 30,

2021

2020

Cash flows from operating activities

Change in net assets	\$ 1,276,472	\$ (131,867)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	488	488
Unrealized and realized gain on investments	(1,252,900)	62,546
Decrease (increase) in operating assets		
Pledges receivable	(4,677)	8,766
Prepaid expenses and other assets	24,848	(14,700)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	3,183	(16,676)
Refundable advances	(29,000)	54,000
Net cash provided by (used in) operating activities	<u>18,414</u>	<u>(37,443)</u>

Cash flows from investing activities

Proceeds from sale of investments	619,932	460,864
Purchase of investments	(492,404)	(460,288)
Net cash provided by investing activities	<u>127,528</u>	<u>576</u>

Net change in cash and cash equivalents

145,942 (36,867)

Cash and cash equivalents, beginning of year

680,045 716,912

Cash and cash equivalents, end of year

\$ 825,987 \$ 680,045

Supplemental disclosure of cash flow information

Cash paid for interest	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Noncash investing activities from Friends' Group Investments

Purchase of investments	\$ -	\$ 10,000
Unrealized and realized gain on investments	67,591	(4,729)
Dividend and interest income on investments	3,526	5,298
Investment management fees	(1,531)	(1,314)
	<u>\$ 69,586</u>	<u>\$ 9,255</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

1. Organization

Fairfax Library Foundation (the Foundation), a nonprofit organization, was established in 1994 to provide supplementary support to the Fairfax County Public Library. The Foundation, while reinforcing the need for continued and increased public support for the library, serves as a catalyst for attracting private funding from individuals, businesses, organizations and civic groups to enhance library services for our community. The Foundation is supported primarily through donor and in-kind contributions. The Foundation uses contributions to support the library in areas of focus. The Foundation uses contributions to fund the purchase of books and materials for the 23 library branches. Expanding the collection of resources allows the library to maintain the most up-to-date materials, as well as to provide new digital, print, and other non-print materials to keep up with demand.

The Foundation funds the Ready to Read Early Literacy Outreach, a program which brings the first essential skills of reading to preschool-aged children. Preschoolers in childcare centers or Head Start classrooms are introduced to the joys of reading by a literacy outreach representative who visits the children for story time. Following the reading session, picture books are given both to the children and their caregivers to extend the benefits of early literacy by incorporating books into everyday life. The program reaches children who are unable or who are not taken by their caregivers to the library. Presentations for the library are supported by the Foundation, including the Fall For The Book literary festival and the FCPL Summer Reading Program, among others. The importance of reading, literacy and the library are brought to the attention of the community through the Foundation. The Foundation also supports Changing Lives Through Literature, a program which is an alternative to formal court action for first-time juvenile offenders and is used in conjunction with probation and parole. The program uses the power of literature to transform lives by helping participants learn about themselves, gaining insight about their own lives and behavior. Through reading and group discussions, the program rehabilitates offenders by building self-esteem, encouraging critical thinking, facilitating an understanding of how one's actions impact others, and teaching offenders that they are not alone with their troubles.

The Foundation is also proud to fund academic scholarships (undergraduate and graduate) and continuing education scholarships. These scholarships are open to employees and volunteers of Fairfax County Public Library. Continuing Education scholarships are awarded semi-annually and provide opportunities for current library employees or volunteers that are not enrolled in a formal degree program to continue their education (through classes, conferences, and other professional enhancement courses) to foster the professional development of the Fairfax County Public Library system team. Masters of Library Sciences scholarships are merit-based and available to individuals pursuing a master's degree in library science at an American Library Association (ALA) accredited school. Eligible applicants must be enrolled or have been accepted for enrollment by an ALA-accredited school. Undergraduate academic scholarships are merit-based awards available to any current employee or volunteer with Fairfax County Public Library. In order to be eligible, an awardee may be asked to complete up to a maximum of 60 volunteer hours within a 12-month period. Fairfax Library Foundation is pleased to enrich the Fairfax County Public Library.

2. Significant accounting policies

Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Support and revenue recognition

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for endowment funds.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Sources of revenue from contracts with customers include an exchange element of tickets purchased for the Foundation's annual special event, which is recognized at the point in time when the special event occurs. No event was held during the year ended June 30, 2020. For the year ended June 30, 2021, the annual event was replaced with two smaller events due the ongoing pandemic. The total exchange portion of tickets was \$1,960. As of June 30, 2021 and 2020, there were no performance obligations remaining relating to ticket sales. Additionally, the Foundation receives revenue from merchandise sales, such as books, bags, earbuds, and flash drives, which is recognized at the point in time when the goods are provided. These amounts are reported as sales revenue on the statements of activities. The Foundation holds no material inventory. All remaining sources of support and revenue are contribution transactions.

Cash and cash equivalents

Short-term, highly liquid investments with an original maturity of three months or less, including money market funds, are considered to be cash equivalents. Cash and cash equivalents held in investment accounts are excluded from cash and cash equivalents.

At year-end and throughout the year, the Foundation's cash balances were deposited in several banks which may exceed federally insured limits. FDIC insurance on interest bearing accounts is \$250,000 per depositor, per insured bank. The Foundation has not experienced any losses on its cash equivalents and management does not believe this results in any significant credit risk.

Pledges receivable

Pledges receivable are reported at full value as all amounts are deemed fully collectible. Pledges receivable as of June 30, 2021 and 2020 are expected to be collected within one year. Accordingly, no allowance for doubtful accounts is required.

Property and equipment

It is the Foundation's policy to capitalize property and equipment over \$500. Property and equipment are carried at cost or estimated fair market value, if donated. Equipment is depreciated using the straight-line method over estimated lives of three to five years. Depreciation expense for both years ended June 30, 2021 and 2020 was \$488.

Investments

Investments are carried at their fair values based on publicly available market data obtained from services independent of the Foundation. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Friends' Group investments

Friends' Group investments represent funds held by the Foundation for the benefit of the Friends' Group libraries. At all times the Friends' Group is the sole and exclusive owner and has control over the funds. The Foundation serves as the administrator of the investment funds. These funds are shown as an asset and liability on the statements of financial position and are not included as cash and cash equivalents for the purpose of the statements of cash flows. Investment income is not included in the statements of activities.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, pledges receivable, and prepaid expenses and other assets. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, and refundable advances. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Refundable advances

Refundable advances as of June 30, 2020 consisted of sponsorships for special events not yet held. Refundable advances as of June 30, 2021 consisted of conditional contributions for scholarships over the next four years.

Donated services and facilities

In-kind contributions from the Fairfax County Public Library for the salaries and benefits of three employees have been recorded under expenses relating to program services, management and general and fundraising at the value paid by Fairfax County. The Foundation receives rent-free use of office space from Fairfax County, Virginia. For the years ended June 30, 2021 and 2020, Fairfax County provided details regarding the donated office space along with a basis for measurement. Donated property is reflected as revenue at the fair value of the property on date of donation. Other in-kind contributions received are reflected as revenue at the fair value. In-kind contributions are detailed at Note 6 of these financial statements.

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Foundation's investments do not represent significant concentrations of market risk as the Foundation's investment portfolio is adequately diversified among issuers.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits, computer maintenance and supplies, travel, insurance, contracted staff, in-kind salaries and benefits, and in-kind office space have been allocated across functional areas based on an estimate of time spent by personnel.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Income taxes

The Fairfax Library Foundation is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation had an insignificant amount of unrelated business income for the years ended June 30, 2021 and 2020; therefore, no provision has been made in these financial statements.

The Foundation is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Foundation's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2018 through June 30, 2021.

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2018-13 to improve the effectiveness of disclosures about fair value measurements required under ASC 820. The Foundation adopted the standard on its effective date, which for the Foundation was July 1, 2020, using a retrospective approach. The adoption of the guidance did not have a material impact on the Foundation's net assets.

Upcoming accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020. Fairfax Library Foundation adopted the standard on its effective date, which for Fairfax Library Foundation was July 1, 2021.

3. Cash and cash equivalents

Cash and cash equivalents as of June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Checking	\$ 362,694	\$ 217,326
Money market funds	463,293	462,719
	<u>\$ 825,987</u>	<u>\$ 680,045</u>
Amount covered by Federal Deposit Insurance Corporation (FDIC)	<u>\$ 621,606</u>	<u>\$ 645,061</u>

4. Investments

Investments as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 96,936	\$ 216,953
Mutual funds	4,686,892	3,614,651
Market-linked investments	1,179,047	1,005,899
	<u>\$ 5,962,875</u>	<u>\$ 4,837,503</u>

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Investment income for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 1,252,900	\$ (62,546)
Interest and dividend income	57,765	95,277
Investment fees	(29,147)	(27,728)
	<u>\$ 1,281,518</u>	<u>\$ 5,003</u>

5. Property and equipment

Property and equipment for the years ended June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>	<u>Useful life</u>
Property and equipment, cost	\$ 25,499	\$ 25,499	3 - 5 years
Accumulated depreciation	(24,526)	(24,038)	
	<u>\$ 973</u>	<u>\$ 1,461</u>	

6. In-kind contributions

In-kind contributions for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Salaries and benefits	\$ 251,464	\$ 235,286
Office space	17,080	17,080
Jubilee auction items	-	11,874
Books	7,847	6,672
	<u>\$ 276,391</u>	<u>\$ 270,912</u>

The Foundation has an agreement with the Fairfax County Public Library whereby the library will provide salaries and benefits as an in-kind contribution. For the years ended June 30, 2021 and 2020, this contribution totaled \$251,464 and \$235,286, respectively. The Fairfax County Public Library also provides office space as an in-kind contribution, which was valued at \$17,080 for the years ended June 30, 2021 and 2020.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

7. Net assets with donor restrictions

A summary of activity in net assets with donor restrictions as of June 30, 2021 was as follows:

	Beginning Balance	Additions	Releases	Ending Balance
Subject to expenditure for specified purpose				
FCPL branches and general library support	\$ 13,781	\$ 28,802	\$ (11,240)	\$ 31,343
Scholarships	-	13,000	(13,000)	-
American Initiative	21,400	2,000	-	23,400
1,000 books before kindergarten	3,030	5,965	(467)	8,528
Changing lives through literature	3,382	4,210	(2,840)	4,752
Dollywood	-	12,194	(12,194)	-
Books and materials	-	17,980	(17,980)	-
Presentations	-	2,500	(2,500)	-
Early literature	-	4,965	(4,965)	-
	<u>41,593</u>	<u>91,616</u>	<u>(65,186)</u>	<u>68,023</u>
Subject to expenditure for specified purpose, held in board-designated endowment funds				
Purchase of recorded books (Macleod fund)	230,872	-	(33,128)	197,744
General fund - George Mason friends scholarship	35,000	-	(5,000)	30,000
FCPL branches	63,551	-	-	63,551
	<u>329,423</u>	<u>-</u>	<u>(38,128)</u>	<u>291,295</u>
Endowment earnings subject to spending policy and appropriation				
General fund	204,351	451,764	(64,184)	591,931
Children's Reading Program fund	398,998	232,641	(330)	631,309
	<u>603,349</u>	<u>684,405</u>	<u>(64,514)</u>	<u>1,223,240</u>
Donor-restricted endowments subject to a perpetual restriction				
General Endowment	1,448,642	-	-	1,448,642
Children's Reading Program fund	500,000	-	-	500,000
	<u>1,948,642</u>	<u>-</u>	<u>-</u>	<u>1,948,642</u>
Total net assets with donor restrictions	<u>\$ 2,923,007</u>	<u>\$ 776,021</u>	<u>\$ (167,828)</u>	<u>\$ 3,531,200</u>

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

A summary of activity in net assets with donor restrictions as of June 30, 2020 was as follows:

	Beginning Balance	Additions	Releases	Ending Balance
Subject to expenditure for specified purpose				
FCPL branches and general library support	\$ 2,046	\$ 40,618	\$ (28,883)	\$ 13,781
Scholarships	-	9,700	(9,700)	-
American Initiative	19,100	2,300	-	21,400
1,000 books before kindergarten	4,045	10,050	(11,065)	3,030
Changing lives through literature	2,697	5,568	(4,883)	3,382
Dollywood	-	15,753	(15,753)	-
Early literature	-	3,190	(3,190)	-
	<u>27,888</u>	<u>87,179</u>	<u>(73,474)</u>	<u>41,593</u>
Subject to expenditure for specified purpose, held in board-designated endowment funds				
Purchase of recorded books (Macleod fund)	266,157	-	(35,285)	230,872
General fund - George Mason friends scholarship	35,000	-	-	35,000
FCPL branches	63,551	-	-	63,551
	<u>364,708</u>	<u>-</u>	<u>(35,285)</u>	<u>329,423</u>
Endowment earnings subject to spending policy and appropriation				
General fund	238,648	145	(34,442)	204,351
Children's Reading Program fund	399,152	351	(505)	398,998
	<u>637,800</u>	<u>496</u>	<u>(34,947)</u>	<u>603,349</u>
Donor-restricted endowments subject to a perpetual restriction				
General Endowment	1,448,642	-	-	1,448,642
Children's Reading Program fund	500,000	-	-	500,000
	<u>1,948,642</u>	<u>-</u>	<u>-</u>	<u>1,948,642</u>
Total net assets with donor restrictions	<u>\$ 2,979,038</u>	<u>\$ 87,675</u>	<u>\$ (143,706)</u>	<u>\$ 2,923,007</u>

During 1996, the Foundation received a bequest from a trust (Macleod fund). Additional donations received are added to the net assets with donor restrictions balance. This contribution was donor-restricted for the purchase of recorded books. The Board has designated that the Macleod fund be held in an endowment fund and distributed in accordance with the spending policy described in Note 8. At June 30, 2021 and 2020, the donor-restricted amount was \$197,744 and \$230,872, respectively.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

The General Endowment was established to enhance the services and resources of the Fairfax County Public Library in the 21st century. Donations may be given as a general contribution to the endowment or may be directed to one of four areas within the permanent endowment: books, the virtual library, community programs or scholarships.

The Children's Reading Program fund was established as a permanent endowment by The George Mason Friends, Inc., for the intended purpose of supporting the Children's Reading Program of the Fairfax Country Public Library. The Friends contributed \$500,000, and, once approved by the Friends, \$25,000 of earnings on the endowment will be expended annually for the Children's Reading Program.

8. Endowment funds

The Foundation's endowment funds consist of four individual funds established for a variety of purposes. The endowment funds include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions subject to expenditure for a specific purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board-designated funds. Under the policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments and to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by the Foundation vary for each fund. For the General Endowment and FCPL Branches, the Foundation has a policy of appropriating for distribution each year four percent of the endowment funds' average fair value over the previous five calendar years. For the Macleod endowment, the Foundation has a policy of appropriating for distribution each year four percent of the endowment fund's average fair value over the previous five calendar years. A distribution of three percent of four percent of the average value of the Children's Reading Program fund over the previous five calendar years will be made each year to cover administrative expenses. In establishing these policies, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of two percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund

The endowment net assets consisted of the following as of June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
General fund	\$ -	\$ 2,040,573	\$ 2,040,573
General fund - George Mason friends scholarship	-	30,000	30,000
Children's Reading Program fund	-	1,131,309	1,131,309
FCPL Branches	320,573	63,551	384,124
Total donor-restricted endowment funds	<u>320,573</u>	<u>3,265,433</u>	<u>3,586,006</u>
Board-designated endowment funds			
Macleod fund	1,074,563	197,744	1,272,307
General fund	1,104,562	-	1,104,562
Total board-designated endowment funds	<u>2,179,125</u>	<u>197,744</u>	<u>2,376,869</u>
Total endowment funds	<u>\$ 2,499,698</u>	<u>\$ 3,463,177</u>	<u>\$ 5,962,875</u>

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

The endowment net assets consisted of the following as of June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds			
General fund	\$ -	\$ 1,652,993	\$ 1,652,993
General fund - George Mason friends scholarship	-	35,000	35,000
Children's Reading Program fund	-	898,998	898,998
FCPL Branches	250,415	63,551	313,966
Total donor-restricted endowment funds	<u>250,415</u>	<u>2,650,542</u>	<u>2,900,957</u>
Board-designated endowment funds			
Macleod fund	807,373	230,872	1,038,245
General fund	898,301	-	898,301
Total board-designated endowment funds	<u>1,705,674</u>	<u>230,872</u>	<u>1,936,546</u>
Total endowment funds	<u>\$ 1,956,089</u>	<u>\$ 2,881,414</u>	<u>\$ 4,837,503</u>

Changes in endowment net assets

The endowment net activity consisted of the following:

	Without donor restrictions	With donor restrictions	Total
Endowment funds as of June 30, 2019	\$ 1,949,475	\$ 2,951,150	\$ 4,900,625
Investment return, net	68	496	564
Contributions	25,285	-	25,285
Appropriation of endowments pursuant to a spending-rate policy	(18,739)	(70,232)	(88,971)
Endowment funds as of June 30, 2020	<u>\$ 1,956,089</u>	<u>\$ 2,881,414</u>	<u>\$ 4,837,503</u>
Investment return, net	596,516	684,405	1,280,921
Contributions	-	-	-
Appropriation of endowments pursuant to a spending-rate policy	(52,907)	(102,642)	(155,549)
Endowment funds as of June 30, 2021	<u>\$ 2,499,698</u>	<u>\$ 3,463,177</u>	<u>\$ 5,962,875</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

9. Liquidity and availability

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Foundation's financial assets as of June 30, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 825,987	\$ 680,045
Pledges receivable	4,897	220
Endowment spending-rate distributions and appropriations	164,965	158,935
Total financial assets available within one year	<u>995,849</u>	<u>839,200</u>
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	<u>(68,023)</u>	<u>(41,593)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 927,826</u>	<u>\$ 797,607</u>

The Foundation's board-designated endowment is subject to an annual spending rate as described in Note 8. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

10. Fair value measurements

The Foundation classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Foundation's holdings in publicly traded mutual funds consist principally of fixed income and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Market-linked investments issued by Merrill Lynch are debt securities, or bonds, that have a return that is linked to the performance of another asset or assets. Market-linked investments are issued for fixed terms and provide exposure to the performance of a market index, an individual stock, commodities, foreign exchange or interest rates. Market-linked Investments can be purchased in a new issue offering or in the secondary market. Returns are based on the performance of the underlying market, as well as the original terms under which that note was issued. Valuation is based on Level 2 inputs within the hierarchy used in measuring fair value.

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - endowment funds				
Cash and money market funds	\$ 96,936	\$ -	\$ -	\$ 96,936
Mutual funds				
Fixed Income				
iShares Barclays 1-3 year	341,790	-	-	341,790
iShares Barclays Tips	619,569	-	-	619,569
iShares Barclays 3-7 years	358,710	-	-	358,710
iShares Core Total U.S.	587,953	-	-	587,953
Equities				
iShares Russell 1000	977,695	-	-	977,695
Revenue shares Small Cap	1,235,781	-	-	1,235,781
iShares Currency Hedged	565,394	-	-	565,394
Market-linked investments				
SP500 CLIRN Issuer BNS	-	609,883	-	609,883
DJIA LIRN Issuer Barn	-	312,130	-	312,130
International Bkt LIRN Issuer HSBC	-	257,034	-	257,034
	<u>4,783,828</u>	<u>1,179,047</u>	<u>-</u>	<u>5,962,875</u>
Investments - Friends' Group investments				
Cash and money market funds	18,654	-	-	18,654
Mutual funds				
Fixed Income				
iShares Barclays 1-3 year	16,887	-	-	16,887
iShares Barclays Tips	29,954	-	-	29,954
iShares Barclays 3-7 years	17,230	-	-	17,230
iShares Core Total U.S.	29,409	-	-	29,409
Equities				
iShares Russell 1000	89,850	-	-	89,850
Revenue shares Small Cap	47,345	-	-	47,345
iShares Currency Hedged	43,681	-	-	43,681
	<u>293,010</u>	<u>-</u>	<u>-</u>	<u>293,010</u>
Total investments reported at fair value	<u>\$ 5,076,838</u>	<u>\$ 1,179,047</u>	<u>\$ -</u>	<u>\$ 6,255,885</u>

See independent auditor's report.

Fairfax Library Foundation

Notes to Financial Statements June 30, 2021 and 2020

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments - endowment funds				
Cash and money market funds	\$ 216,953	\$ -	\$ -	\$ 216,953
Mutual funds				
Fixed Income				
iShares Barclays 1-3 year	342,947	-	-	342,947
iShares Barclays Tips	599,010	-	-	599,010
iShares Barclays 3-7 years	366,134	-	-	366,134
iShares Core Total U.S.	602,635	-	-	602,635
Equities				
iShares Russell 1000	691,483	-	-	691,483
Revenue shares Small Cap	562,036	-	-	562,036
iShares Currency Hedged	450,406	-	-	450,406
Market-linked investments				
SP500 CLIRN Issuer BNS	-	551,164	-	551,164
DJIA LIRN Issuer Barn	-	230,055	-	230,055
International Bkt LIRN Issuer HSBC	-	224,680	-	224,680
	<u>3,831,604</u>	<u>1,005,899</u>	<u>-</u>	<u>4,837,503</u>
Investments - Friends' Group investments				
Cash and money market funds	11,284	-	-	11,284
Mutual funds				
Fixed Income				
iShares Barclays 1-3 year	14,637	-	-	14,637
iShares Barclays Tips	25,707	-	-	25,707
iShares Barclays 3-7 years	15,105	-	-	15,105
iShares Core Total U.S.	25,415	-	-	25,415
Equities				
iShares Russell 1000	66,164	-	-	66,164
Revenue shares Small Cap	32,052	-	-	32,052
iShares Currency Hedged	33,059	-	-	33,059
	<u>223,423</u>	<u>-</u>	<u>-</u>	<u>223,423</u>
Total investments reported at fair value	<u>\$ 4,055,027</u>	<u>\$ 1,005,899</u>	<u>\$ -</u>	<u>\$ 5,060,926</u>

11. Related party transactions

The Foundation paid a board member \$12,147 and \$4,892 during the years ended June 30, 2021 and 2020, respectively, for services performed as a contractor.

12. Subsequent events

The Foundation assessed events occurring subsequent to June 30, 2021 through October 18, 2021, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.