

THE LIBRARY OF VIRGINIA FOUNDATION

**Financial Statements
For the Year Ended
June 30, 2025**

**(with comparative financial information
for the year ended June 30, 2024)**

THE LIBRARY OF VIRGINIA FOUNDATION

Contents

	Page
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16

Frank Barcalow CPA, P.L.L.C.
Certified Public Accountant
Independent Auditor's Report

To the Board of Directors
The Library of Virginia Foundation
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of The Library of Virginia Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 The Library of Virginia Foundation as of June 30, 2025 and 2024, 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.

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 The Library of Virginia Foundation 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 The Library of Virginia Foundation 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 The Library of Virginia Foundation's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Library of Virginia Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Library of Virginia Foundation 2024 financial statements, and our report dated August 13, 2024, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, P.L.L.C.

Frank Barcalow CPA, P.L.L.C.
Richmond, Virginia
August 25, 2025

THE LIBRARY OF VIRGINIA FOUNDATION

-3-

STATEMENT OF FINANCIAL POSITION

June 30, 2025

(with summarized financial information for the year ended June 30, 2024)

Assets	Net assets Without Restrictions	Net assets With Restrictions	Total 2025	Total 2024
Cash and cash equivalents	\$ 97,731	\$ -	\$ 97,731	\$ 191,554
Grants and Pledges receivable, net of discount	117,423	5,818,387	5,935,810	384,163
Inventory - Library gift shops	74,140	-	74,140	79,327
Prepaid expenses	19,575	-	19,575	19,228
Café fixtures and equipment, net	28,922	-	28,922	23,736
Investments	1,706,481	6,241,342	7,947,823	5,381,395
Total assets	\$ 2,044,272	\$ 12,059,729	\$ 14,104,001	\$ 6,079,403
 LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 88,315	\$ -	\$ 88,315	\$ 66,485
Deferred income	555,074	-	555,074	106,880
Loan payable to related party	-	-	-	1,000
Total liabilities	643,389	-	643,389	174,365
Net assets	1,400,883	12,059,729	13,460,612	5,905,038
Total liabilities and net assets	\$ 2,044,272	\$ 12,059,729	\$ 14,104,001	\$ 6,079,403

See notes to financial statements.

THE LIBRARY OF VIRGINIA FOUNDATION

-4-

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

(with summarized financial information for the year ended June 30, 2024)

	Net assets Without Restrictions	Net assets With Restrictions	Total 2025	Total 2024
Revenues, gains and other support:				
Contributions and sponsorships	\$ 457,074	\$ 8,166,464	\$ 8,623,538	\$ 883,539
Contributions - in-kind	12,000	-	12,000	12,000
Investment income, net	223,675	365,226	588,901	709,202
Library gift shops' sales	142,488	-	142,488	106,761
Other income	8,030	-	8,030	9,286
Net assets released from restrictions, satisfaction of program restrictions	598,223	(598,223)	-	-
Total revenue, gains and other support	<u>1,441,490</u>	<u>7,933,467</u>	<u>9,374,957</u>	<u>1,720,788</u>
Expenses:				
Program expenses -Library programs	994,509	-	994,509	881,734
Supporting services				
Management and general	169,837	-	169,837	142,488
Fund-raising	655,037	-	655,037	561,192
Total expenses	<u>1,819,383</u>	<u>-</u>	<u>1,819,383</u>	<u>1,585,414</u>
Change in net assets	(377,893)	7,933,467	7,555,574	135,374
Net assets at beginning of year	<u>1,778,776</u>	<u>4,126,262</u>	<u>5,905,038</u>	<u>5,769,664</u>
Net assets at end of year	<u>\$ 1,400,883</u>	<u>\$ 12,059,729</u>	<u>\$ 13,460,612</u>	<u>\$ 5,905,038</u>

See notes to the financial statements.

THE LIBRARY OF VIRGINIA FOUNDATION

-5-

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

(with summarized financial information for the year ended June 30, 2024)

	Library Programs	Management and General	Fund Raising	Total 2025	2024
Salaries and benefits	\$ 126,064	\$ 106,915	\$ 141,393	\$ 374,372	\$ 418,072
Library programs	550,615	-	-	550,615	642,429
Library shop	244,020	-	-	244,020	133,099
Professional fees	25,182	35,685	466,321	527,188	262,372
Advertising and promotion	2,547	-	-	2,547	33,286
Insurance	1,779	1,779	1,778	5,336	4,650
Occupancy in-kind	4,000	4,000	4,000	12,000	12,000
Office expense	-	4,907	4,367	9,274	12,351
Postage and delivery	2,888	2,449	3,239	8,576	9,754
Printing	1,992	1,690	2,235	5,917	9,383
Prospect cultivation	-	-	7,791	7,791	8,099
Software maintenance	-	2,373	13,448	15,821	11,636
Other expenses	34,918	10,039	10,465	55,422	25,275
Depreciation	504	-	-	504	3,008
Total expenses	\$ 994,509	\$ 169,837	\$ 655,037	\$ 1,819,383	\$ 1,585,414

See notes to the financial statements.

THE LIBRARY OF VIRGINIA FOUNDATION

-6-

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

(with comparative financial information for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,555,574	\$ 135,374
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,057	3,008
Realized (gains) losses on investments	(137,706)	(17,195)
Unrealized (gains) losses on investments	(342,093)	(596,972)
Forgiveness of loan	(1,000)	(2,500)
(Increase) decrease in accounts receivable	-	8,399
(Increase) decrease in contribution receivable	(5,551,647)	349,162
(Increase) decrease in inventory	5,187	(21,323)
(Increase) decrease in prepaid expenses	(347)	(9,091)
Increase (decrease) in accounts payable and accrued expenses	21,830	25,664
Increase (decrease) in deferred income	448,194	27,585
Net cash provided by (used in) operating activities	<u>2,006,049</u>	<u>(97,889)</u>
Cash flows from investing activities:		
Purchase of equipment	(13,244)	(1,471)
Purchase of investments	(3,596,207)	(770,766)
Proceeds from sale of investment	1,509,579	938,224
Net cash provided by (used by) investing activities	<u>(2,099,872)</u>	<u>165,987</u>
Cash flows from financing activities:		
Payments on annuity obligations	-	-
Net cash provided by (used by) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(93,823)	68,098
Cash and cash equivalents beginning of the year	<u>191,554</u>	<u>123,456</u>
Cash and cash equivalents end of the year	<u>\$ 97,731</u>	<u>191,554</u>

See notes to the financial statements.

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies

Nature of activities

The Library of Virginia Foundation (“the Foundation”) is a non-stock, non-profit corporation formed on December 5, 1984, under the Code of the Commonwealth of Virginia for the purpose of promoting, supporting, and aiding the Library of Virginia (“the Library”), an agency of the Commonwealth of Virginia. Resources for the Foundation’s activities are primarily provided by charitable contributions and investment income. The Foundation does not present its financial statements with those of the Library. The Library’s records are audited by the Auditor of Public Accountants, Commonwealth of Virginia.

Basis of accounting and presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets without donor restrictions are assets that are not subject to or are no longer subject to donor-imposed stipulations.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Use of estimates include, but are not limited to, fair value measurements, accounting for allowances for doubtful account and contribution receivables, functional expense allocations, and depreciation. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and circumstances could alter those estimates.

Annuity obligations

The Library has issued charitable gift annuity agreements. Under these agreements, a donor transfers assets to the Library in exchange for the right to receive a fixed dollar annual return during the donor’s lifetime. A portion of the transfer is a donation for income tax purposes. The difference between the amount transferred for the gift annuity and the liability for future payments, which is determined on an actuarial basis, is recognized as a contribution at the date of the gift. The annuity liability is revalued annually using a discount rate established at the inception of the agreement and actuarial assumptions. Actuarial changes and annuity payments are reported as contributions in the statement of activities as changes in net assets without donor restrictions.

Notes to Financial Statements**June 30, 2025****Note 1 - Summary of significant accounting policies (continued)*****Cash and cash equivalents***

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are presented in the financial statements in the aggregate at fair market value. Realized and unrealized gains and losses are included in the statement of activities. The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Foundation will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

Property and equipment

Property and equipment are stated as cost. Depreciation of property is computed on the straight-line method over the estimated useful life of three, five, or seven years for software, café furniture, and equipment. Point of sale software used in the gifts shops is being amortized over three years. If fixtures are not in use, there will be no depreciation expense. The costs of major improvements over \$500 are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently.

Contributions and support

Contributions, including unconditional pledges, are recognized as revenue when donors' commitments are received. Conditional pledges become unconditional and are recognized as revenue when the conditions are substantially met. Unconditional pledges are recognized at the net present value, net of an allowance for uncollectible amounts and are classified as either net assets with donor restrictions or net assets without donor restrictions, depending on the existence and nature of any donor restrictions.

Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises are received. At this time, there is no allowance established, as no significant write offs are anticipated.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In addition, the Foundation operates two gift shops; one at the Library of Virginia building and one at Capital Square in Richmond, Virginia. The Foundation sells books, collectibles, and other merchandise at these two locations, as well as maintains inventory that consists of books and other related products held for resale. Revenue is recognized at the gift shops upon the sale of these items in the period in which the products are sold.

Income taxes

The Internal Revenue Service has determined that the Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are tax deductible as defined by Section 170 of the Internal Revenue Code.

Notes to Financial Statements

June 30, 2025

Note 1 - Summary of significant accounting policies (concluded)

Inventory

Inventory consists of books and other related products held for resale at the shops maintained by the Foundation and is stated at the lower of net realizable value or cost.

Deferred Revenue

Deferred revenue consists of funds received for the next year’s programs or received in advance.

Donated collection items

In accordance with the provisions of FASB ASC 958-360-45-3, *Accounting for Contributions Received and Contributions Made*, the Foundation does not capitalize donated works of art and literature nor does it recognize them as revenues or gains. That statement provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for, and preserved. The Foundation receives significant contributions of books, manuscripts, and maps each year. The value of such items has not been reflected in the accompanying financial statements.

Donated facilities, furnishings and equipment

The Library provides facilities, furnishings and equipment to the Foundation for its operations. Estimated value of the facilities, furnishings and equipment to the Foundation totaled \$12,000 for the year. This value is based upon comparable values for similar spaces at this location. This amount is included in contributions revenue and occupancy expense in the accompanying financial statements.

Functional Expenses

The financial statements report certain categories of expenses in the statement of activities that are attributed to more than one program or supporting function. Therefore, expenses may require allocation on a reasonable basis that is consistently applied. The expenses that may be allocated include personnel costs and other expenses, which are allocated on time spent or usage basis. Any expenses that can be identified to a program or administrative function are directly charged to the appropriate class.

Note 2 -Property and equipment

Property and equipment consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Café fixtures and equipment	\$ 83 595	\$ 70 352
Gift shop point-of-sale software	3 792	3 792
Computer equipment	<u>15 558</u>	<u>15 558</u>
	102 945	89 702
Less accumulated depreciation and amortization	<u>(74 023)</u>	<u>(65 966)</u>
	<u>\$ 28 922</u>	<u>\$ 23 736</u>

Notes to Financial Statements

June 30, 2025

Note 3 - Investments

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited activity of the instrument as of June 30, 2025.

	<u>2025</u>			
	Amortized <u>Cost</u>	<u>Fair Value</u>	Gross Unrealized <u>Losses</u>	Gross Unrealized <u>Gains</u>
Money market fund	\$ 12 171	\$ 12 171	\$ -	\$ -
Money market funds - reserve	170 132	170 132	-	-
Exchange traded funds - reserve	1 521 861	1 531 449	-	9 588
Exchange traded funds	<u>4 560 166</u>	<u>6 234 071</u>	<u>9 466</u>	<u>1 683 370</u>
	<u>\$ 6 264 331</u>	<u>\$ 7 947 823</u>	<u>\$ 9 466</u>	<u>\$ 1 692 958</u>

The following schedule summarizes the investment return (loss) and its classifications in the statement of activities for the year ended June 30, 2025.

	Net assets <u>Without restrictions</u>	Net assets <u>With Restrictions</u>	<u>Total</u>
Interest, dividends and capital gain distributions	\$ 39 341	\$ 102 077	\$ 141 418
Net realized gains	42 358	95 348	137 706
Net unrealized gains	154 082	188 010	342 092
Investment fees	(12 106)	(20 209)	(32 315)
	<u>\$ 223 675</u>	<u>\$ 365 226</u>	<u>\$ 588 901</u>

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited activity of the instrument as of June 30, 2024.

	<u>2024</u>			
	Amortized <u>Cost</u>	<u>Fair Value</u>	Gross Unrealized <u>Losses</u>	Gross Unrealized <u>Gains</u>
Money market fund	\$ 16 046	\$ 16 046	\$ -	\$ -
Money market funds - reserve	3 964	3 964	-	-
Exchange traded funds - reserve	50 250	50 338	266	354
Exchange traded funds	<u>3 982 168</u>	<u>5 311 047</u>	<u>27 178</u>	<u>1 356 057</u>
	<u>\$ 4 052 428</u>	<u>\$ 5 381 395</u>	<u>\$ 27 444</u>	<u>\$ 1 356 411</u>

The following schedule summarizes the investment return (loss) and its classifications in the statement of activities for the year ended June 30, 2024.

	Net assets <u>Without restrictions</u>	Net assets <u>With Restrictions</u>	<u>Total</u>
Interest, dividends and capital gain distributions	\$ 61 532	\$ 62 404	\$ 123 936
Net realized gains	16 315	880	17 195
Net unrealized gains	244 854	352 118	596 972
Investment fees	(12 442)	(16 459)	(28 901)
	<u>\$ 310 259</u>	<u>\$ 398 943</u>	<u>\$ 709 202</u>

Notes to Financial Statements

June 30, 2025

Note 4 - Pledges receivable

The pledges receivable are from Board members, other individuals, foundations, corporations, and various organizations. The pledges are related to a capital campaign and the annual fund. These promises to give are to be received by the Foundation for the years subsequent to June 30, 2025:

Receivable in less than one year	\$	2 482 517
Receivable in one to five years		<u>3 754 643</u>
		6 237 160
Less discounts to net present value		<u>301 350</u>
Net pledges receivable	\$	<u>5 935 810</u>

Promises to give are from individuals located in the State of Virginia, corporations, foundations, and a governmental agency and are reflected at present value of estimated future cash flows using a discount rate of 3%. The discount will be recognized as contribution income, which is amortized using an effective yield over the duration of the pledge.

Two pledges, from an individual and a corporation totaling \$5,248,281 are included in the total of \$5,935,810 and represent approximately 88 percent of the total outstanding as of June 30, 2025.

Note 5 - Fair value measurements

The Foundation has fully adopted the provisions of an accounting standard regarding fair value measurements for its financial assets and liabilities. The accounting standard clarifies that fair value is an exit price, representing 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. The Foundation utilizes maker data or assumptions that market participants would use in pricing the asset or liability. The standard regarding fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

The Foundation adopted FASB ASC 850 “Fair Value Measurements” to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy, based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value, with the exception of the obligations under annuity agreements, which is measured by level three valuation. The changes in the present value are included in contribution income. There have been no changes in valuation techniques.

Notes to Financial Statements**June 30, 2025****Note 6 - Concentrations of credit risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and invested cash deposited in large regional banks with an international brokerage firm. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for balances carried in member banks. At times, bank balances may exceed federally insured limits. Money market accounts with the brokerage firm are not insured by the FDIC, but have limited protection provided by the Securities Investor Protection Corporation (SIPC).

Note 7 - Contracts

The Foundation has a contract with the Virginia Capital Foundation to use space within the Capital as a retail gift shop. This space within the Capital was undergoing construction, and the Foundation was now able to conduct retail activities during 2023 and there were minimal shop activities during 2024. During 2025 retail activities began on a regular basis. No rent has been paid during 2025 or 2024. The Foundation will operate all activities of the shop and remit to the Virginia Capitol Foundation a minimum fee of \$3,000 based upon a commission schedule.

The Foundation has a memorandum of understanding with the Library to use space within the Library as a café. The Foundation may operate all activities of the café.

The Foundation has a contract with a restaurant to provide a food café at the location of the Library. The contract dated November 2024 is for a term of one year, renewable each year for one year. Rent shall be \$500 monthly plus commissions of monthly sales. Rent was waived for the first month to allow for initial set up of operations. Total rent received for the year 2025 amounted to \$3,000.

The Foundation has contracted with a separate corporation for fundraising campaign management services. The term began April 1, 2024 through August 15, 2025. Total costs paid as of June 30, 2025 amounted to \$696,817

The Foundation has a memorandum of understanding with the Library to use space within the Library as administrative offices at no cost to the Foundation. The term of this agreement begins July 2021 and continues until June 30, 2027.

Note 8 - Subsequent events

In preparing these statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 25, 2025, the date the financial statements were issued.

Note 9 - Retirement plan

The Foundation adopted a 401(k) retirement plan, effective January 1, 2012. The Foundation contributed 5% of an eligible employee's gross salary. Retirement expense of \$13,727 is reflected for the year ended June 30, 2025 in the statement of activities included in salaries and benefits.

Note 10 - Related parties

A Board member advanced the Foundation \$70,000 to help fund the gift shop in 2010. The Board member has forgiven the entire amount as of June 30, 2025. There are no stated terms and the Foundation intends to repay the remaining loan balance once the gift shop begins to make a profit. The balance of the loan was \$0 and \$1,000 as of June 30, 2025 and 2024, respectively.

A Board member pledged \$500,000 restricted for the purposes of increasing diversity in the workforce of libraries and support efforts to uncover history of excluded communities. The balance of the pledge as of June 30, 2025 is \$100,000 and will be paid over the next three years. The pledge has been discounted to present value.

Notes to Financial Statements

June 30, 2025

Note 11 - Endowment funds

The endowments held by the Foundation consist of donor-restricted endowment funds. Endowments consist of six funds established for a variety of purposes. Endowments are classified and reported based upon the existence or absence of donor-imposed restrictions. The State of Virginia has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift 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 the following as donor restricted net assets: the original value of gifts donated to the permanent endowment; the original gift plus subsequent gifts; and accumulations to the permanent endowment in accordance with the direction of the gift instrument.

The remaining portion of the fund that is not considered an endowment, may be appropriated for expenditure in a manner consistent with UPMIFA. In accordance with UPMIFA, the Foundation considers purposes of the donor restricted funds and the duration and preservation of the funds; related to appropriations for expenditures. The Foundation has adopted investment policies; that emphasize total return. The Investment Committee which oversees the portfolio with the assistance of an investment advisor, operates in accordance with the investment policy. In establishing investment objectives; the Board with the assistance of the Investment Committee, has taken into account the time horizon available for investment, the nature of the cash flow requirements, the expected total return from income and the appreciation of investments, and other factors that affect risk tolerance.

Endowment net asset composition by type of fund as of June 30, 2025:

	<u>Net Assets</u> <u>With Temporary</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Permanent</u> <u>Restrictions</u>
Donor restricted endowment funds	\$ <u>1 158 684</u>	\$ <u>2 671 527</u>
Board designated endowment funds	\$ <u>85 647</u>	\$ <u>800 000</u>

Endowment net asset composition by type of fund as of June 30, 2024:

	<u>Net Assets</u> <u>With Temporary</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Permanent</u> <u>Restrictions</u>
Donor restricted endowment funds	\$ <u>923 012</u>	\$ <u>2 468 000</u>
Board designated endowment funds	\$ <u>50 567</u>	\$ <u>400 000</u>

The following schedule summarizes the invested net assets composition by type of fund as of June 30, 2025:

Net assets with temporary restrictions, endowment	\$ -	\$ 1 158 684	\$ 2 671 527
Net assets without restrictions	2 789 063	-	-
Net assets (board designated funds)	85 647	-	-
Net assets (board designated funds)	800 000	-	-
Net assets with temporary donor restrictions	<u>-</u>	<u>442 902</u>	<u>-</u>
Total net assets	<u>\$ 3 674 710</u>	<u>\$ 1 601 586</u>	<u>\$ 2 671 527</u>

Notes to Financial Statements

June 30, 2025

Note 13 - Endowment funds (concluded)

The following schedule summarizes the net assets composition by type of fund as of June 30, 2024,

Net assets with temporary restrictions, endowment	\$ -	\$ 923 012	\$ 2 468 000
Net assets without restrictions	804 566	-	-
Net assets (board designated funds)	50 567	-	-
Net assets (board designated funds)	400 000	-	-
Net assets with temporary donor restrictions	-	<u>735 250</u>	<u>-</u>

Total net assets \$1 255 133 \$ 1 658 262 \$ 2 468 000

Changes to endowment funds are indicated and included within the statement of activities for net assets without donor restrictions and net assets with donor restrictions. Unrestricted endowment funds include total investment income of \$39,341 and total unrealized/realized gains amounted to \$183,055 for the year ended June 30, 2025. Donor restricted endowment funds include total investment income of \$65,547 and total net unrealized/realized gains amounted to \$299,679 for the year ended June 30, 2025. Total contributions to donor restricted net assets (permanent endowments) totaled \$203,527 for the year end June 30, 2025.

A description of the amounts classified as net assets with donor restrictions (endowment only) as of June 30, 2025 and 2024 are as follows. The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA totaled \$2,671,527 and \$2,468,000, respectively. The portion of perpetual endowment funds subject to a time or purpose restrictions under UPMIFA as of June 30, 2025 and 2024 totaled \$1,158,684 and \$923,012, respectively.

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 of UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in donor restricted net assets were \$0 as of June 30, 2025 and 2024, respectively.

Return objectives and risk parameters: The Foundation has adopted investment spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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 of and for a donor-specified period (s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to 4% to 6% annualized excess return over three month Treasury Bills based upon rolling five-year periods, net of all fees, while assuming a moderate level of risk. Actual returns in any given year may vary.

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(unrealized and realized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation, which includes money market funds, domestic equity mutual funds, fixed income mutual funds, and international equity mutual funds, in order to minimize risks while achieving total return objectives.

Spending policy: The Foundation has a discretionary policy of appropriating for distribution each year up to 5% of the fair value of its average endowment investments for the most recent trailing twelve quarters as of December 31, to the extent that funds do not fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation may consider a 10% collar of the prior year’s actual distribution. A 5% assessment for all new temporarily restricted donor gifts is included as of 2017. These assessments may be transferred to unrestricted net assets for use in operations.

Notes to Financial Statements

June 30, 2025

Note 14 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes or future periods as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Conservation	\$ 287 776	\$ 287 776
Capital campaign	7 519 968	-
Digitize Newspapers	43 797	34 628
Database Network	23 750	23 750
50 th Anniversary of 1971 VA Constitution	29 939	29 939
200 th Anniversary of the State Library	-	-
Space Planning/Feasibility	-	-
Diversity Fellowship	2 726	11 226
Educational Programming	192 715	217 161
Emyl Jenkins Fiction Award	2 695	2 695
Others	396 205	193 796
Myers Conservation Fund	51 517	40 226
Indigenous Perspectives	-	-
Timberlake, Henrico, and Hanover Col. Archives	16 894	140 500
Virginia Authors	656 020	542 346
Virginia Women in History	<u>164 200</u>	<u>134 219</u>
	<u>\$ 9 388 202</u>	<u>\$ 1 658 262</u>

Net assets with donor restrictions that are restricted in perpetuity as of June 30, 2025 and 2024:

Acquisitions	\$ 50 000	\$ 50 000
Conservation	125 000	125 000
Educational Programming	300 000	300 000
Virginia Authors	1 000 000	1 000 000
Virginia Women in History	250 000	250 000
Transformation Fund	500 000	500 000
All others	342 027	138 500
Myers Conservation Fund	<u>104 500</u>	<u>104 500</u>
	<u>\$2 671 527</u>	<u>\$ 2 468 000</u>
Total net assets with donor restrictions	<u>\$12 059 729</u>	<u>\$ 4 126 262</u>

Note 15 – Net assets released from restrictions

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted time and purposes specified by the donors for the year ended June 30, 2024 as follows:

Conservation	\$ 153 549
Acquisitions	6 453
Educational Programming	74 134
Datathon	6 722
Digitize Newspapers	93 800
Diversity Fellowship	18 500
Others	208 781
Virginia authors	<u>36 284</u>
	<u>\$ 598 223</u>

Notes to Financial Statements**June 30, 2025****Note 16 - Liquidity and Availability of Financial Assets**

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

	<u>2025</u>	<u>2024</u>
Total financial assets	\$ 10 226 721	\$ 5 728 988
Less those available for general expenditures within one year due to:		
Board designated endowment funds	800 000	400 000
Endowed funds	<u>2 671 527</u>	<u>2 468 000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6 755 194</u>	<u>\$ 2 860 988</u>