

SAN DIEGO PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2009



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2009**

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To the Board of Directors
San Diego Public Library Foundation
820 E Street, MS 17
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We have audited the accompanying statement of financial position of San Diego Public Library Foundation as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Foundation's 2008 financial statements and in our report dated December 9, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Public Library Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The June 30, 2008 supplementary schedule of functional expenses summarized comparative information has been derived from the Foundation's 2008 financial statements and in our report dated December 9, 2008, we expressed an unqualified opinion on those financial statements.

Leaf & Cole LLP
San Diego, California
March 9, 2010

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

ASSETS

	<u>2009</u>	<u>2008</u>
<u>Assets:</u> (Notes 1 and 2)		
Cash and cash equivalents:		
Unrestricted	\$ 209,448	\$ 49,636
Restricted	3,026,937	2,051,838
San Diego Foundation Fund:		
City contributions	108,887	110,424
Non-city contributions	123,365	124,806
Total Cash and Cash Equivalents	3,468,637	2,336,704
Accrued interest receivable	-	3,403
Contributions receivable	685	630,825
Prepaid expenses	6,386	2,789
Software, net	933	12,141
TOTAL ASSETS	\$ 3,476,641	\$ 2,985,862

LIABILITIES AND NET ASSETS

<u>Liabilities:</u>		
Accounts payable	\$ 60,022	\$ 6,530
<u>Net Assets:</u> (Notes 1 and 3)		
Unrestricted	156,910	605,807
Temporarily restricted	3,259,709	2,373,525
Total Net Assets	3,416,619	2,979,332
TOTAL LIABILITIES AND NET ASSETS	\$ 3,476,641	\$ 2,985,862

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)**

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and Support:</u>				
Contributions	\$ 1,205,974	\$ 836,939	\$ 2,042,913	\$ 2,929,578
In-kind contributions	94,320	971,005	1,065,325	816,241
Investment income	34,622	125	34,747	62,561
Net assets released from restrictions	921,885	(921,885)	-	-
Total Revenue and Support	2,256,801	886,184	3,142,985	3,808,380
<u>Expenses:</u>				
Program Services:				
San Diego Public Library	2,235,206	-	2,235,206	1,488,586
Supporting Services:				
Fundraising and capital campaign	346,117	-	346,117	320,490
Management and general	124,375	-	124,375	132,115
Total Supporting Services	470,492	-	470,492	452,605
Total Expenses	2,705,698	-	2,705,698	1,941,191
Change in Net Assets	(448,897)	886,184	437,287	1,867,189
Net Assets at Beginning of Year	605,807	2,373,525	2,979,332	1,112,143
NET ASSETS AT END OF YEAR	\$ 156,910	\$ 3,259,709	\$ 3,416,619	\$ 2,979,332

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)**

	<u>2009</u>	<u>2008</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 437,287	\$ 1,867,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,208	11,207
(Increase) Decrease in:		
Accrued interest receivable	3,403	(661)
Contributions receivable	630,140	(630,825)
Prepaid expenses	(3,597)	(578)
Increase (Decrease) in:		
Accounts payable	53,492	(83,781)
Net Cash Provided by Operating Activities	<u>1,131,933</u>	<u>1,162,551</u>
Increase in Cash and Cash Equivalents	1,131,933	1,162,551
Cash and Cash Equivalents, Beginning of Year	<u>2,336,704</u>	<u>1,174,153</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,468,637</u>	<u>\$ 2,336,704</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

Note 1 - Organization and Significant Accounting Policies:

Organization

San Diego Public Library Foundation (the "Foundation") is a California Nonprofit Corporation established in 2002 to support the San Diego Public Library system.

Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). SFAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. The Foundation adopted SFAS 157 effective July 1, 2008. As of July 1, 2008, the Foundation determined that SFAS 157 did not have a significant impact on the financial assets and liabilities in the financial statements. The Foundation had no financial instruments at June 30, 2009.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Software

Software is recorded at cost. Donations of software are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Software totaled \$933 and \$12,141 net of accumulated depreciation of \$32,689 and \$21,481 at June 30, 2009 and 2008, respectively. Software is depreciated using the straight-line method over the estimated useful assets life of three years. Depreciation aggregated \$11,208 and \$11,207 for the years ended June 30, 2009 and 2008, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of equipment, the asset account is received of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Contributions

Contributions are recognized when the donor makes a promise to give in writing to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions receivable totaling \$685 and \$630,825 at June 30, 2009 and 2008, respectively, are due in less than one year and are deemed to be fully collectible by management.

Donated Services, Rent (Office Space), Office Support and Other Outside Services and Equipment

The Foundation received contributed personnel services, rent (office space), printing, postage and marketing and services totaling \$94,320 and \$188,226, which have been reflected in the financial statements as unrestricted in-kind contributions revenue and supporting services expenses for the years ended June 30, 2009 and 2008, respectively.

The Foundation received equipment and program supplies and materials totaling \$971,005 and \$628,015, which have been reflected in the financial statements as restricted in-kind contributions revenue and program services for the years ended June 30, 2009 and 2008, respectively.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Donated Services, Rent (Office Space), Office Support and Other Outside Services and Equipment (Continued)

Additionally, a substantial number of volunteers have donated significant amounts of their time to the Foundation fundraising campaigns. However, these services have not been recognized, in as much as services either do not require specialized skill or would not typically be purchased had they not been provided by donation.

In 2008 the Foundation received a collection of art work to be used for program services. It is the Foundation's policy to record donated items at their estimated fair values at the date of donation; however, the donor did not obtain an appraisal of the collection so the Foundation has not valued the collection or recorded it as revenue in the financial statements.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Program's management.

Income Tax Status

The Foundation is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Foundation has elected to defer the provisions of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" under the provisions of a FASB Staff Position issued in December, 2008. The Foundation uses a Financial Accounting Standards Board Statement No. 5 "Loss Contingencies" approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

The Foundation maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Comparative Totals for June 30, 2008

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 Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 9, 2010, the date the financial statements were available to be issued.

Note 2 - San Diego Foundation Fund:

San Diego Public Library Foundation Fund (City Contributions)

The Foundation established a charitable non-endowment fund, the San Diego Public Library Foundation Fund (City Contributions), with the San Diego Foundation. The funds are invested in the non-endowment, Pool A, which consists of cash and cash equivalents. The following is the activity in the fund for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Balance, Beginning of Year	\$ 110,424	\$ 112,448
Investment loss	(119)	(337)
San Diego Foundation fees	(1,656)	(1,687)
Balance, End of Year	<u>\$ 108,649</u>	<u>\$ 110,424</u>

San Diego Public Library Foundation (Non-City Contributions)

The Foundation established a charitable non-endowment fund, the San Diego Public Library Foundation Fund (Non-City Contributions), with the San Diego Foundation. The funds are invested in the non-endowment, Pool A, which consists of cash and cash equivalents. The following is the activity in the fund for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Balance, Beginning of Year	\$ 124,806	\$ 127,118
Contributions from donors	300	-
Investment income (loss)	134	(405)
San Diego Foundation fees	(1,875)	(1,907)
Balance, End of Year	<u>\$ 123,365</u>	<u>\$ 124,806</u>

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

Note 3 - Temporarily Restricted Net Assets:

Temporarily restricted net assets totaling \$3,259,709 and \$2,373,525 at June 30, 2009 and 2008, respectively consist of contributions received by the Foundation that have purpose restrictions to be fulfilled in the future.

For the year ended June 30, 2009, net assets totaling \$921,885 were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors.

Note 4 – Conditional Contributions Receivable:

During the year ended June 30, 2009, the Foundation received conditional promises to give totaling \$32,830,500 from various donors to help lead the campaign for a new central library. The payment is contingent upon the construction of the new central library. These conditional contributions receivable will be recorded as revenue when the donor conditions have been met.

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)**

	Supporting Services			2009 Total	2008 Total
	Program Services	Fundraising and Capital Campaign	Management and General		
Other support	\$ 1,038,001	\$ -	\$ -	\$ -	\$ 1,038,001
Books and materials	571,878	-	-	-	571,878
Personnel costs	138,652	201,673	90,129	291,802	430,454
Library programs	211,647	-	-	-	211,647
Equipment /technology	98,157	-	-	-	98,157
Consulting fees	25,025	35,539	8,550	44,089	69,114
Printing	38,395	10,856	902	11,758	50,153
Computers and equipment	16,504	23,809	4,095	27,904	44,408
Library equipment /technology	39,000	-	-	-	39,000
Capital Projects	29,810	-	-	-	29,810
Rent	5,556	8,040	2,964	11,004	16,560
Graphics	8,043	7,260	-	7,260	15,303
Travel/Auto/Parking	3,662	5,300	5,448	10,748	14,410
Contract services	-	13,673	-	13,673	13,673
Postage	2,409	6,028	4,625	10,653	13,062
Depreciation	-	11,208	-	11,208	11,208
Donor relations	1,624	6,428	-	6,428	8,052
Office expenses	2,196	3,110	1,302	4,412	6,608
Utilities	1,896	2,736	1,008	3,744	5,640
Catering/rentals	-	5,621	-	5,621	5,621
Audit	1,398	1,940	810	2,750	4,148
Bank and merchant fees	-	-	2,983	2,983	2,983
Employee relations and training	667	1,037	313	1,350	2,017
Insurance	252	364	996	1,360	1,612
Dues and subscriptions	434	830	201	1,031	1,465
Other expenses	-	665	49	714	714
Legal	-	-	-	-	-
TOTAL EXPENSES	\$ 2,235,206	\$ 346,117	\$ 124,375	\$ 470,492	\$ 2,705,698
	\$ 1,941,191				\$ 1,941,191