

SAN DIEGO PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2010



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2010**

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Independent Auditor's Report

To the Board of Directors
San Diego Public Library Foundation
820 E Street, MS 17
San Diego, California 92101

We have audited the accompanying statement of financial position of San Diego Public Library Foundation as of June 30, 2010, 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 2009 financial statements and in our report dated March 9, 2010, 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, 2010, 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 for the year ended June 30, 2010, 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 supplementary schedule of functional expenses summarized comparative information for the year ended June 30, 2009, has been derived from the Foundation's 2009 financial statements and in our report dated March 9, 2010, we expressed an unqualified opinion on those financial statements.

Leaf & Cole LLP
San Diego, California
September 13, 2010

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)**

ASSETS

| | <u>2010</u> | <u>2009</u> |
|--|----------------------|---------------------|
| <u>Assets:</u> (Notes 1, 2 and 3) | | |
| Cash and cash equivalents: | | |
| Unrestricted | \$ 1,505,890 | \$ 209,448 |
| Restricted | 2,186,664 | 3,026,937 |
| San Diego Foundation Fund: | | |
| City contributions | 107,003 | 108,887 |
| Non-city contributions | - | 123,365 |
| Total Cash and Cash Equivalents | 3,799,557 | 3,468,637 |
| Contributions receivable, net | 33,649,979 | 685 |
| Prepaid expenses | - | 6,386 |
| Software, net | - | 933 |
| TOTAL ASSETS | \$ 37,449,536 | \$ 3,476,641 |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|---------------------|
| <u>Liabilities:</u> | | |
| Accounts payable | \$ 27,283 | \$ 60,022 |
| <u>Net Assets:</u> (Notes 1 and 4) | | |
| Unrestricted | 1,498,782 | 156,910 |
| Temporarily restricted | 35,923,471 | 3,259,709 |
| Total Net Assets | 37,422,253 | 3,416,619 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 37,449,536 | \$ 3,476,641 |

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, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

| | 2010 | | | 2009 Total |
|---------------------------------------|---------------------|---------------------------|----------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| <u>Revenue and Support:</u> | | | | |
| Contributions | \$ 1,064,166 | \$ 34,449,149 | \$ 35,513,315 | \$ 2,042,913 |
| In-kind contributions | 62,479 | 777,260 | 839,739 | 1,065,325 |
| Investment income | 7,192 | 19,516 | 26,708 | 34,747 |
| Net assets released from restrictions | 2,582,163 | (2,582,163) | - | - |
| Total Revenue and Support | 3,716,000 | 32,663,762 | 36,379,762 | 3,142,985 |
| <u>Expenses:</u> | | | | |
| Program Services: | | | | |
| San Diego Public Library | 1,909,685 | - | 1,909,685 | 2,235,206 |
| Supporting Services: | | | | |
| Fundraising and capital campaign | 306,475 | - | 306,475 | 346,117 |
| Management and general | 157,968 | - | 157,968 | 124,375 |
| Total Supporting Services | 464,443 | - | 464,443 | 470,492 |
| Total Expenses | 2,374,128 | - | 2,374,128 | 2,705,698 |
| Change in Net Assets | 1,341,872 | 32,663,762 | 34,005,634 | 437,287 |
| Net Assets at Beginning of Year | 156,910 | 3,259,709 | 3,416,619 | 2,979,332 |
| NET ASSETS AT END OF YEAR | \$ 1,498,782 | \$ 35,923,471 | \$ 37,422,253 | \$ 3,416,619 |

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, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

| | <u>2010</u> | <u>2009</u> |
|---|--------------------------------|--------------------------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Change in net assets | \$ 34,005,634 | \$ 437,287 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 933 | 11,208 |
| (Increase) Decrease in: | | |
| Accrued interest receivable | - | 3,403 |
| Contributions receivable, net | (33,649,294) | 630,140 |
| Prepaid expenses | 6,386 | (3,597) |
| Increase (Decrease) in: | | |
| Accounts payable | <u>(32,739)</u> | <u>53,492</u> |
| Net Cash Provided by Operating Activities | <u>330,920</u> | <u>1,131,933</u> |
| Increase in Cash and Cash Equivalents | 330,920 | 1,131,933 |
| Cash and Cash Equivalents at Beginning of Year | <u>3,468,637</u> | <u>2,336,704</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 3,799,557</u></u> | <u><u>\$ 3,468,637</u></u> |

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

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

Note 1 - Organization and Significant Accounting Policies:

Organization

San Diego Public Library Foundation (the “Library Foundation”) is a California Nonprofit Corporation comprised mostly of volunteer leaders who work with the Friends of the Library (the “Friends”) and other support groups to raise funds to support the San Diego Public Library (the “Library”) system and an excellent free public library system. Since its inception, the Library Foundation has worked with the City to open six new branch libraries and expand two branches. The Library Foundation has worked with the Friends and other partners to ensure the Library has met the City’s \$1 million match each of the last seven fiscal years. This match program provides critical support for materials, programs and technology at the Central Library and the 35 branches.

Significant Accounting Policies

Method of Accounting

The financial statements of the Library Foundation have been prepared on the accrual basis of accounting which is in accordance with U.S. generally accepted accounting principles (“GAAP”) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

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

Significant Accounting Policies (Continued)

Fair Value Measurements

The Library Foundation has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance 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). These standards do not change existing guidance as to whether or not an instrument is carried at fair value. The Library Foundation had no financial instruments at June 30, 2010 and 2009.

Capitalization and Depreciation

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 Library Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Library Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Software totaled \$- and \$933, net of accumulated depreciation of \$33,622 and \$32,689 at June 30, 2010 and 2009, respectively. Software was depreciated using the straight-line method over the estimated useful assets life of three years. Depreciation totaled \$933 and \$11,208 for the years ended June 30, 2010 and 2009, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of equipment, the asset account is relieved 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 Library Foundation that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

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

The Library Foundation received contributed personnel services, rent (office space), printing, postage and marketing and professional services totaling \$62,479 and \$94,320, which have been reflected in the financial statements as unrestricted in-kind contributions revenue and program and supporting services expenses for the years ended June 30, 2010 and 2009, respectively.

The Library Foundation received equipment and program supplies and materials totaling \$777,260 and \$971,005, which have been reflected in the financial statements as restricted in-kind contributions revenue and program services for the years ended June 30, 2010 and 2009, respectively.

Additionally, a substantial number of volunteers have donated significant amounts of their time to the Library Foundation fundraising campaigns. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2010 and 2009, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

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 Library Foundation's management.

Income Tax Status

The Library 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 Library Foundation uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

The Library 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 Library 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 Library 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, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

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

Significant Accounting Policies (Continued)

Comparative Totals for June 30, 2009

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 Library Foundation's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Library Foundation has evaluated events and transactions for potential recognition or disclosure through September 13, 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 Library 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>2010</u> | <u>2009</u> |
|----------------------------|-------------------|-------------------|
| Balance, Beginning of Year | \$ 108,887 | \$ 110,424 |
| Investment income (loss) | (251) | 119 |
| San Diego Foundation fees | <u>(1,633)</u> | <u>(1,656)</u> |
| Balance, End of Year | <u>\$ 107,003</u> | <u>\$ 108,887</u> |

San Diego Public Library Foundation (Non-City Contributions)

The Library 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>2010</u> | <u>2009</u> |
|----------------------------|------------------|-------------------|
| Balance, Beginning of Year | \$ 123,365 | \$ 124,806 |
| Contributions from donors | - | 300 |
| Investment income (loss) | 14 | 134 |
| San Diego Foundation fees | - | (1,875) |
| Distribution | <u>(123,379)</u> | <u>-</u> |
| Balance, End of Year | <u>\$ -</u> | <u>\$ 123,365</u> |

SAN DIEGO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

Note 3 - Contributions Receivable

Contributions receivable consist of the following at June 30:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|----------------------|---------------|
| Current: | | |
| Receivables due in less than one year | \$ 2,371,542 | \$ 685 |
| Total Current | <u>2,371,542</u> | <u>685</u> |
| Noncurrent: | | |
| Receivables due in one to five years | 28,761,983 | - |
| Receivables due in over five years | 4,000,000 | - |
| Less: Discounts to present value | (1,483,546) | - |
| Total Noncurrent | <u>31,278,437</u> | <u>-</u> |
| Total Contributions Receivable, Net | <u>\$ 33,649,979</u> | <u>\$ 685</u> |

The contributions receivable have been discounted to their present value using a discount rate of 1.5% at June 30, 2010 and 2009, respectively.

Management believes that all contributions receivable were fully collectible; therefore no allowance for doubtful accounts was recorded as of June 30, 2010 and 2009.

Note 4 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of contributions received by the Library Foundation that have time and purpose restrictions to be fulfilled in the future and consist of the following at June 30:

| | <u>2010</u> | <u>2009</u> |
|----------------------------------|----------------------|---------------------|
| Library construction | \$ 25,265,583 | \$ 1,583,984 |
| Library operations | 9,102,417 | - |
| Designated for library practices | 1,555,471 | 1,675,725 |
| | <u>\$ 35,923,471</u> | <u>\$ 3,259,709</u> |

Net assets totaling \$2,582,163 were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended June 30, 2010.

**SAN DIEGO PUBLIC LIBRARY FOUNDATION
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

| | Program Services | Supporting Services | | | 2010 Total | 2009 Total |
|---------------------------------|---------------------|--|---------------------------|---------------------------------|---------------------|---------------------|
| | | Fundraising and Capital Campaign | Management and General | Total Supporting Services | | |
| Other support | \$ 943,894 | \$ - | \$ - | \$ - | \$ 943,894 | \$ 1,038,001 |
| Personnel costs | 169,622 | 223,563 | 107,107 | 330,670 | 500,292 | 430,454 |
| Books and materials | 356,419 | - | - | - | 356,419 | 571,878 |
| Consulting fees | 135,769 | 7,157 | 6,884 | 14,041 | 149,810 | 69,114 |
| Library programs | 105,872 | - | - | - | 105,872 | 211,647 |
| Equipment /technology | 104,597 | - | - | - | 104,597 | 98,157 |
| Printing | 25,795 | 11,469 | 411 | 11,880 | 37,675 | 50,153 |
| In-kind computers and equipment | 12,061 | 11,726 | 9,716 | 21,442 | 33,503 | 33,504 |
| Library equipment /technology | 25,000 | - | - | - | 25,000 | 39,000 |
| Computers and equipment | 4,921 | 10,733 | 4,918 | 15,651 | 20,572 | 10,904 |
| Rent | 5,962 | 5,796 | 4,802 | 10,598 | 16,560 | 16,560 |
| Travel/Auto/Parking | 3,585 | 5,135 | 3,442 | 8,577 | 12,162 | 14,410 |
| Postage | 2,869 | 4,804 | 4,189 | 8,993 | 11,862 | 13,062 |
| Insurance | 2,099 | 2,245 | 5,417 | 7,662 | 9,761 | 1,612 |
| Donor relations | 40 | 7,514 | - | 7,514 | 7,554 | 8,052 |
| Office expenses | 2,750 | 2,733 | 1,490 | 4,223 | 6,973 | 6,608 |
| Bank and merchant fees | - | - | 5,941 | 5,941 | 5,941 | 2,983 |
| Utilities | 2,030 | 1,974 | 1,636 | 3,610 | 5,640 | 5,640 |
| Audit | 1,577 | 1,515 | 1,290 | 2,805 | 4,382 | 4,148 |
| Catering/rentals | - | 4,071 | - | 4,071 | 4,071 | 5,621 |
| Contract services | - | 3,338 | - | 3,338 | 3,338 | 13,673 |
| Graphics | 2,469 | 108 | - | 108 | 2,577 | 15,303 |
| Dues and subscriptions | 579 | 515 | 366 | 881 | 1,460 | 1,465 |
| Capital projects | 1,439 | - | - | - | 1,439 | 29,810 |
| Other expenses | 224 | 814 | 203 | 1,017 | 1,241 | 714 |
| Depreciation | - | 933 | - | 933 | 933 | 11,208 |
| Employee relations and training | 112 | 332 | 156 | 488 | 600 | 2,017 |
| TOTAL EXPENSES | \$ 1,909,685 | \$ 306,475 | \$ 157,968 | \$ 464,443 | \$ 2,374,128 | \$ 2,705,698 |