



San Diego Public Library Foundation

Financial Statements
For the Year Ended June 30, 2016



San Diego Public Library Foundation

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Independent Auditors' Report

To the Audit Committee
San Diego Public Library Foundation
San Diego, California

We have audited the accompanying financial statements of **San Diego Public Library Foundation** (the "Library Foundation"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 **San Diego Public Library Foundation** as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of San Diego Public Library Foundation as of June 30, 2015, were audited by other auditors whose report dated January 21, 2016, expressed an unmodified opinion on those statements. As part of our audit of the 2016 financial statements, we also audited adjustments described in Note 8 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Library Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Mayer Hoffman McCann P.C.

San Diego, California
September 1, 2017

San Diego Public Library Foundation

Statement of Financial Position

<i>June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 266,895	\$ 1,268,024	\$ 130,913	\$ 1,665,832
Contributions receivable, net (Note 2)	20,000	11,592,271	-	11,612,271
Due from Unrestricted (Note 3)	-	1,000,000	-	1,000,000
Inventory	40,371	-	-	40,371
Prepaid expense and other assets	28,591	-	-	28,591
Total Assets	\$ 355,857	\$ 13,860,295	\$ 130,913	\$ 14,347,065
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$ 399,311	\$ -	\$ -	\$ 399,311
Deferred revenue	107,462	-	-	107,462
Due to Temporarily Restricted (Note 3)	1,000,000	-	-	1,000,000
Loan payable (Note 4)	82,000	-	-	82,000
Grants payable (Note 5)	13,618,117	-	-	13,618,117
Total liabilities	15,206,890	-	-	15,206,890
Net Assets (Deficit), As Restated (Notes 6, 7, and 8)	(14,851,033)	13,860,295	130,913	(859,825)
Total Liabilities and Net Assets	\$ 355,857	\$ 13,860,295	\$ 130,913	\$ 14,347,065

The accompanying notes are an integral part of this financial statement.

San Diego Public Library Foundation

Statement of Activities

<i>Year Ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 1,078,162	\$ 3,858,082	\$ -	\$ 4,936,244
In-kind contributions	116,822	26,344	-	143,166
Special events	589,688	-	-	589,688
Library store sales	184,742	-	-	184,742
Investment income	24,178	-	-	24,178
Net assets released from restrictions	5,407,560	(5,396,953)	(10,607)	-
Total Revenue and Support	7,401,152	(1,512,527)	(10,607)	5,878,018
Expenses				
Program services				
San Diego Public Library System	3,561,606	-	-	3,561,606
Library Shop	266,420	-	-	266,420
Total Program Services	3,828,026	-	-	3,828,026
Supporting Services				
Fundraising	794,391	-	-	794,391
Management and general	341,121	-	-	341,121
Total Supporting Services	1,135,512	-	-	1,135,512
Total Program and Supporting Services	4,963,538	-	-	4,963,538
Special Events	275,413	-	-	275,413
Total Expenses	5,238,951	-	-	5,238,951
Change in Net Assets	2,162,201	(1,512,527)	(10,607)	639,067
Net Assets (Deficit) at Beginning of Year	(17,013,234)	15,372,822	141,520	(1,498,892)
Net Assets (Deficit) at End of Year	\$ (14,851,033)	\$ 13,860,295	\$ 130,913	\$ (859,825)

The accompanying notes are an integral part of this financial statement.

San Diego Public Library Foundation

Statement of Cash Flows

Year Ended June 30, 2016

Cash Flows From Operating Activities:

Change in net assets	\$ 639,067
Adjustments to reconcile change in net assets to net cash used in operating activities:	
(Increase) Decrease in:	
Contributions receivable, net	83,992
Inventory	25,736
Prepaid expense and other assets	(22,102)
Increase (Decrease) in:	
Accounts payable and accrued expenses	80,773
Deferred revenue	100,147
Grants payable	(2,437,762)
Net cash used in operating activities	<u>(1,530,149)</u>

Cash Flows From Investing Activities:

Proceeds from sale of investments	<u>289,478</u>
Net cash provided by investing activities	<u>289,478</u>

Cash Flows From Financing Activities:

Payment of loan payable	<u>(18,000)</u>
Net cash used in financing activities	<u>(18,000)</u>

Decrease in Cash and Cash Equivalents (1,258,671)

Cash and Cash Equivalents at Beginning of Year 2,924,503

Cash and Cash Equivalents at End of Year \$ 1,665,832

The accompanying notes are an integral part of this financial statement.

San Diego Public Library Foundation

Statement of Functional Expenses

Year Ended June 30, 2016	Program Services			Supporting Services			Total
	San Diego Public Libraries	Library Shop	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Capital projects	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Library support	1,424,853	-	1,424,853	-	-	-	1,424,853
Personnel costs	534,554	107,032	641,586	537,938	167,891	705,829	1,347,415
Events	-	878	878	275,413	-	275,413	276,291
Occupancy	20,948	21,529	42,477	16,019	7,701	23,720	66,197
Donor relations and events	4,612	-	4,612	113,016	-	113,016	117,628
Professional fees	-	-	-	-	109,782	109,782	109,782
Cost of goods sold	-	106,671	106,671	-	-	-	106,671
Contract services	-	-	-	66,973	-	66,973	66,973
Computers and equipment	24,259	2,814	27,073	19,255	15,725	34,980	62,053
Travel/auto/parking	8,483	2,560	11,043	8,660	2,543	11,203	22,246
Bank and merchant fees	-	6,397	6,397	-	14,740	14,740	21,137
Consulting fees	18,394	-	18,394	-	-	-	18,394
Postage	4,581	4,965	9,546	3,691	1,448	5,139	14,685
Office expenses	2,733	5,965	8,698	2,512	3,164	5,676	14,374
Dues and subscriptions	3,295	-	3,295	4,929	4,847	9,776	13,071
Utilities	5,400	-	5,400	4,006	3,000	7,006	12,406
Staff training and development	1,769	452	2,221	6,774	2,800	9,574	11,795
Meetings	3,289	-	3,289	5,090	2,673	7,763	11,052
Other expenses	-	4,215	4,215	164	2,918	3,082	7,297
Insurance	3,028	-	3,028	2,567	987	3,554	6,582
Printing	1,408	-	1,408	2,797	902	3,699	5,107
Display expense	-	2,200	2,200	-	-	-	2,200
Advertising	-	742	742	-	-	-	742
TOTAL	\$ 3,561,606	\$ 266,420	\$ 3,828,026	\$ 1,069,804	\$ 341,121	\$ 1,410,925	\$ 5,238,951

The accompanying notes are an integral part of this financial statement.

San Diego Public Library Foundation

Notes to Financial Statements

(1) Organization and Significant Accounting Policies

Organization

San Diego Public Library Foundation (the "Library Foundation") is a California Nonprofit Corporation established in 2002. The Library Foundation strengthens communities by supporting excellence in the San Diego Public Library system through philanthropy, advocacy and outreach. The Library Foundation will create a community where all people are engaged, literate and empowered to fully participate in society. We accomplish this vision by partnering with the San Diego Public Library to develop the world's best library system. The Library Foundation raises funds and provides a wide range of resources to meet ongoing needs at all 36 libraries throughout the City of San Diego including books, capital for new libraries, programs, equipment, technology and online resources. To date, the Library Foundation has provided more than \$100,000,000 in funding to the San Diego Public Library system. Through donor support, the Library Foundation deepens the Library's role as a center of learning, creativity and innovation in the digital age. Library Foundation donors help minds grow and enhance the Library's proven track record for strengthening communities throughout San Diego.

Going concern

The financial statements have been prepared on the going concern basis which assumes the Library Foundation will have sufficient cash to pay its debts as and when they become payable for a period of at least twelve months from the date the financial report was authorized for issuance.

At June 30, 2016, the Library Foundation had an unrestricted net asset deficiency of \$14,851,033 and a total net asset deficiency of \$859,825. During the fiscal year ended June 30, 2016, the Library Foundation had cash outflows from operating activities of \$1,530,149. The grants payable (see Note 5) are classified on the statement of financial position as unrestricted liabilities while a substantial portion of the cash and contributions receivable, which will be used to retire the liabilities, are classified as temporarily restricted assets.

To address the additional future funding requirements, since June 30, 2016 the Library Foundation has undertaken the following initiatives:

- Focused the fundraising activities on obtaining unrestricted contributions;
- Instituted a freeze on personnel hiring and compensation increases;
- Undertaken a program to carefully monitor the Foundation's ongoing expenditure commitments and;
- Commenced discussions with the grantees regarding the timing of grant payments.

With these actions, the Library Foundation is confident that it will be able to meet its commitments and support the planned level of overhead expenditures, and therefore, that it is appropriate to prepare the financial statements on the going concern basis.

San Diego Public Library Foundation

Notes to Financial Statements

Library shop

The Library Shop is a collaboration between the San Diego Public Library Foundation and the Friends of the Library. All proceeds benefit the entire San Diego Public Library system. The Library Shop has a carefully curated selection of books, jewelry, children’s merchandise, gifts and art and supports local vendors and artisans whenever possible. The Library Shop is located at the San Diego Central Library.

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 accounting principles generally accepted in the United States of America (“GAAP”) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of 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.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Library Foundation and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The balance is substantially made up of contributions receivable.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Library Foundation. The income from these assets is available for either general operations or specific programs as specified by the donor.

The Financial Accounting Standards Board (“FASB”) has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

San Diego Public Library Foundation

Notes to Financial Statements

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

Fair value measurements

Authoritative guidance 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).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Investments acquired by gift are recorded at their fair market value at the date of the gift. The Library Foundation's policy is to liquidate all gifts of investments immediately upon receipt.

Inventory

Inventory consists of Library Shop merchandise. Inventory is valued at the lower of average cost or market.

Capitalization and depreciation

The Library Foundation capitalizes all expenditures in excess of \$5,000 for equipment at cost, while donations of equipment are recorded at their estimated fair values. 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

San Diego Public Library Foundation

Notes to Financial Statements

Capitalization and depreciation, cont'd

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. The Library Foundation has no capitalized equipment at June 30, 2016.

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.

Compensated absences

Accumulated paid time off totaling \$43,610 at June 30, 2016 is accrued when incurred and included in accounts payable and accrued expenses.

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. The Library Foundation's policy is to charge off uncollectible receivables when management determines the receivable will not be collected. Based on the information available, management believes that no allowance is needed as of June 30, 2016.

Deferred revenue

Deferred revenue represents amounts collected in advance for special events. Such amounts are recognized as revenue in the period in which they are earned.

Donated office space, office support, and other outside services and materials

The Library Foundation received contributed office space, facility costs, printing, postage, and professional services totaling \$116,822, which has been reflected in the financial statements as unrestricted in-kind contributions revenue and program and supporting services expenses for the year ended June 30, 2016.

San Diego Public Library Foundation

Notes to Financial Statements

Donated office space, office support, and other outside services and materials, cont'd

The Library Foundation received program materials totaling \$26,344, which have been reflected in the financial statements as temporarily restricted in-kind contributions revenue and program services for the year ended June 30, 2016.

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 year ended June 30, 2016, did not meet the requirements above; therefore, no amount was recognized in the financial statements for volunteer time.

Allocated expenses

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

Income taxes

The Library Foundation is a public charity and is exempt from federal and California 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 believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Library Foundation is not a private foundation.

The Library Foundation's Return of Organization Exempt from Income Tax for the years ended June 30, 2016, 2015, 2014, and 2013 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the three to four years after the returns were filed.

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.

San Diego Public Library Foundation

Notes to Financial Statements

Cash and cash equivalents

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

(2) Contributions Receivable

Contributions receivable consist of the following at June 30, 2016:

Current:	
Receivables due in less than one year	\$ 8,104,709
Noncurrent:	
Receivables due in one to five years	3,621,875
Less: discounts to present value	<u>(114,313)</u>
Total noncurrent	<u>3,507,562</u>
Total contributions receivable, net	<u>\$ 11,612,271</u>

The contributions receivable have been discounted to their present value using discount rate of 1.1% at June 30, 2016.

(3) Due To/From

After receiving contributions from a donor restricted for specific use, management of the Library Foundation determined that temporarily restricted net assets of \$1,000,000 were used for unrestricted expenses. This resulted in a receivable in temporarily restricted net assets that will be received from unrestricted net assets at June 30, 2016; see Note 8.

(4) Loan Payable

The Library Foundation has received unsecured loans in the amounts of \$10,000 and \$90,000 from the Friends of San Diego Public Library to be used for start-up and operation costs of the Library Shop. The loans are noninterest bearing and are repayable only from funds generated by the Library Shop. It is anticipated that funds will not be available for repayment purposes in the near term. The balance of the loans payable totaled \$82,000 at June 30, 2016.

(5) Grants Payable

Grant Payable – Central Library construction

In fiscal year 2012, a private foundation made a conditional grant to the Library Foundation to complete the funding of Phase II of the construction of the new central library facility. The grant amount was received from the private foundation and was paid to the City of San Diego

San Diego Public Library Foundation

Notes to Financial Statements

Grant payable – Central Library construction, cont'd

in fiscal year 2012. The Grant Agreement between the private foundation, the San Diego Public Library Foundation, and the City of San Diego called for the payment of the grant amount by the Library Foundation to a tax-exempt charity designated by the foundation as donor pledges for the construction were received by the Library Foundation.

As of June 30, 2016, the balance of the grant payable was \$7,118,117. The outstanding pledges supporting the grant payments will be received through June 30, 2020. See Note 8.

Grant payable - Central Library operating expense

In fiscal year 2012, two private foundations pledged \$5,000,000 each to support the operations of the new central library facility for the period of July 1, 2013 through June 30, 2018. Each pledge is payable at \$1,000,000 annually starting in fiscal year 2013. The \$2,000,000 received annually by the Foundation is paid to the City of San Diego.

As of June 30, 2016, the balance of the grant payable was \$5,000,000. \$1,000,000 was paid in July 2016. \$2,000,000 is to be paid on June 30, 2017 and \$2,000,000 is to be paid on June 30, 2018. See Note 8.

Grant Payable – San Ysidro Branch Library construction

In fiscal year 2016, two donors made a conditional grant to the Library Foundation of \$1,500,000 for the construction of the new San Ysidro branch library. The contribution will be paid in two installments based on stated stages of completion of the construction. Payments are expected to be made in fiscal year 2018.

(6) 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, 2016:

Library capital projects	\$ 8,592,271
Central library operations	4,301,351
Branch libraries operations	966,673
Total temporarily restricted net assets	<u>\$ 13,860,295</u>

Net assets totaling \$5,407,560 were released from donor restrictions by incurring expenses and costs satisfying the purpose restrictions specified by donors for the year ended June 30, 2016.

San Diego Public Library Foundation

Notes to Financial Statements

(7) Endowment Net Assets

The Library Foundation's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Library Foundation has interpreted the enacted version of the UPMIFA as 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 Library Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Library Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Library Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Library Foundation
- The investment policies of the Library Foundation

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Library Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at June 30, 2016.

San Diego Public Library Foundation

Notes to Financial Statements

(7) Endowment Net Assets, Cont'd

The Library Foundation has adopted investment and spending policies for endowment funds that:

- Manage the funds in a prudent manner recognizing risk and return tradeoffs
- Maintain a diversified portfolio that provides for asset growth through a combination of investment income and capital appreciation comparable to established industry benchmarks
- Maintain sufficient liquidity to fund expenses and support the spending policy
- Comply with applicable laws

The Library Foundation's endowment funds are invested in money market funds. The Library Foundation's spending policy is to disburse funds in accordance with the donor's restrictions. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund at June 30 2016:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds:			
Logan Heights	\$ -	\$ 79,393	\$ 79,393
Central Library	-	51,520	51,520
Total endowment funds	\$ -	\$ 130,913	\$ 130,913

Changes in endowment net assets for the year ended June 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2015	\$ -	\$ 141,520	\$ 141,520
Distributions	-	(10,607)	(10,607)
Endowment net assets at June 30, 2016	\$ -	\$ 130,913	\$ 130,913

San Diego Public Library Foundation

Notes to Financial Statements

(8) Restatement

Adjustments to record the asset and liabilities described below resulting in a decrease in net assets totaling \$14,204,180 at June 30, 2015 were made during the current year, which resulted in a restatement of previously reported amounts as follows:

	Contributions Receivable – Net	Due From Unrestricted	Due To Temporarily Restricted	Grant Payable – Central Library Construction	Grant Payable – Central Library Operations	Unrestricted Net Assets	Temporarily Restricted Net Assets
As Previously Reported	\$ 9,844,564	\$ -	\$ -	\$ -	\$ -	\$ 57,645	\$12,506,123
<i>Adjustments:</i>							
Interfund Due To/From	-	1,000,000	(1,000,000)	-	-	(1,000,000)	1,000,000
Pledges Receivable	1,851,699	-	-	-	-	-	1,851,699
Grant Payables – Central Library Construction	-	-	-	(9,055,879)	-	(9,055,879)	-
Grant Payables – Central Library Operations	-	-	-	-	(7,000,000)	(7,000,000)	-
Reclassification	-	-	-	-	-	(15,000)	15,000
As Restated	\$ 11,696,263	\$ 1,000,000	\$ (1,000,000)	\$ (9,055,879)	\$ (7,000,000)	\$ (17,013,234)	\$15,372,822

Contributions receivable - net

In fiscal year 2013, a donor pledged to match up to \$10 million of new donor contributions for the construction of the new central library facility. As of June 30, 2015, \$8,814,798 of qualifying donor contributions had been raised by the Library Foundation and \$7,002,956 of the matching pledge had been received from the match donor. The matching pledge receivable of \$1,811,842 at June 30, 2015 had not been recorded by the Library Foundation.

An additional adjustment was made to reduce the gross contributions receivable as of June 30, 2015 by \$25,077.

As a result of the restatement of the gross contributions receivable, the discount to present value of receivables due in one to five years was adjusted by \$64,934 as of June 30, 2015.

San Diego Public Library Foundation

Notes to Financial Statements

Due to/from

In fiscal year 2015, temporarily restricted assets of \$1,000,000 were used for unrestricted expenses. This resulted in a receivable of the Temporarily Restricted fund and a liability of the Unrestricted fund at June 30, 2015.

Grant payable – Central Library construction

In fiscal year 2012, a private foundation made a conditional grant to the Library Foundation of \$11,529,549 to complete the funding of Phase II of the construction of the new central library facility. The grant amount was received from the private foundation and was paid to the City of San Diego in fiscal year 2012. The Grant Agreement between the private foundation, the San Diego Public Library Foundation, and the City of San Diego called for the payment of the grant amount by the Library Foundation to a tax-exempt charity designated by the foundation as donor pledges for the construction were received by the Library Foundation. The liability for the payment to the designated charity had not been recorded by the Library Foundation.

As of June 30, 2015, \$2,473,670 has been paid to the designated charity resulting in an unpaid balance of the grant of \$9,055,879.

Grant payable - Central Library operating expense

In fiscal year 2012, two private foundations pledged \$5 million each to support the operations of the new central library facility for the period of July 1, 2013 through June 30, 2018. Each pledge is payable at \$1 million per year starting in fiscal year 2013. The \$2 million received annually by the Foundation is paid to the City of San Diego. The liability for the payments to the City of San Diego had not been recorded by the Library Foundation.

As of June 30, 2015, \$5 million of the pledges had been received and \$3 million had been paid to the City resulting in a remaining balance of \$7,000,000.

(9) Subsequent Events

In preparing these financial statements, the Library Foundation has evaluated events and transactions for potential recognition or disclosure through September 1, 2017, the date the financial statements were available to be issued.