



SACRAMENTO PUBLIC LIBRARY FOUNDATION

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014 and 2013

SACRAMENTO PUBLIC LIBRARY FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Audit Committee of
Sacramento Public Library Foundation
Sacramento, California

We have audited the accompanying financial statements of Sacramento Public Library Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Public Library Foundation as of June 30, 2014 and 2013, 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.

Sacramento, CA
November 14, 2014

SACRAMENTO PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 336,420	\$ 264,634
Cash and cash equivalents - restricted (Note 2)	42,841	107,080
Investments (Note 3)	486,640	405,710
Contributions receivable	<u>1,200</u>	<u>36,985</u>
Total Current Assets	<u>867,101</u>	<u>814,409</u>
Non-Current Assets		
Investments (Note 3)	2,822,610	2,545,359
Fixed Assets (Note 5)		
Equipment and software	9,116	9,116
Less: accumulated depreciation	<u>(9,116)</u>	<u>(9,116)</u>
Total Non-Current Assets	<u>2,822,610</u>	<u>2,545,359</u>
Total Assets	<u>\$ 3,689,711</u>	<u>\$ 3,359,768</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 69,145	\$ 2,022
Accrued vacation	8,936	5,208
Other liabilities	<u>1,544</u>	<u>1,322</u>
Total Current Liabilities	<u>79,625</u>	<u>8,552</u>
Total Liabilities	<u>79,625</u>	<u>8,552</u>
Net Assets (Note 6)		
Unrestricted		
Board designated	1,086,007	1,058,152
Undesignated	623,895	504,199
Temporarily restricted	451,488	351,442
Permanently restricted	<u>1,448,696</u>	<u>1,437,423</u>
Total Net Assets	<u>3,610,086</u>	<u>3,351,216</u>
Total Liabilities and Net Assets	<u>\$ 3,689,711</u>	<u>\$ 3,359,768</u>

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

SACRAMENTO PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 184,638	\$ 99,505	\$ 8,243	\$ 292,386
Special event revenue	119,688	60,900	-	180,588
Less: Direct benefit to donors	(18,700)	-	-	(18,700)
In-kind revenue	40,376	-	-	40,376
Net investment income (loss)	84,487	290,560	3,030	378,077
Other income	<u>14,385</u>	<u>-</u>	<u>-</u>	<u>14,385</u>
Total Support and Revenue	<u>424,874</u>	<u>450,965</u>	<u>11,273</u>	<u>887,112</u>
Net assets released from restriction	<u>350,919</u>	<u>(350,919)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>775,793</u>	<u>100,046</u>	<u>11,273</u>	<u>887,112</u>
Expenses (Note 1)				
Program services				
Foundation	153,232	-	-	153,232
Library	<u>318,210</u>	<u>-</u>	<u>-</u>	<u>318,210</u>
Total program services	471,442	-	-	471,442
Fundraising	96,788	-	-	96,788
Management and general	<u>60,012</u>	<u>-</u>	<u>-</u>	<u>60,012</u>
Total Expenses	<u>628,242</u>	<u>-</u>	<u>-</u>	<u>628,242</u>
Change in Net Assets	147,551	100,046	11,273	258,870
Net Assets, July 1, 2013	<u>1,562,351</u>	<u>351,442</u>	<u>1,437,423</u>	<u>3,351,216</u>
Net Assets, June 30, 2014	<u>\$ 1,709,902</u>	<u>\$ 451,488</u>	<u>\$ 1,448,696</u>	<u>\$ 3,610,086</u>

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

SACRAMENTO PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Contributions	\$ 171,559	\$ 120,753	\$ 35,351	\$ 327,663
Special event revenue	98,352	44,350	-	142,702
Less: Direct benefit to donors	(16,250)	-	-	(16,250)
In-kind revenue	46,499	-	-	46,499
Net investment income (loss)	60,740	185,519	2,700	248,959
Other Income	<u>11,835</u>	<u>-</u>	<u>-</u>	<u>11,835</u>
Total Support and Revenue	<u>372,735</u>	<u>350,622</u>	<u>38,051</u>	<u>761,408</u>
Net assets released from restrictions	<u>224,659</u>	<u>(224,659)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>597,394</u>	<u>125,963</u>	<u>38,051</u>	<u>761,408</u>
Expenses				
Program services				
Foundation	136,351	-	-	136,351
Library	<u>224,659</u>	<u>-</u>	<u>-</u>	<u>224,659</u>
Total program services	361,010	-	-	361,010
Fundraising	116,011	-	-	116,011
Management and general	<u>84,175</u>	<u>-</u>	<u>-</u>	<u>84,175</u>
Total Expenses	<u>561,196</u>	<u>-</u>	<u>-</u>	<u>561,196</u>
Change in Net Assets	36,198	125,963	38,051	200,212
Net Assets, July 1, 2012	<u>1,526,153</u>	<u>225,479</u>	<u>1,399,372</u>	<u>3,151,004</u>
Net Assets, June 30, 2013	<u>\$ 1,562,351</u>	<u>\$ 351,442</u>	<u>\$ 1,437,423</u>	<u>\$ 3,351,216</u>

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

SACRAMENTO PUBLIC LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 258,870	\$ 200,212
Adjustments to reconcile change in net assets to decrease in cash from operating activities:		
Depreciation	-	153
Unrealized and realized (gains)/losses on investments	(352,057)	(218,273)
(Increase)/decrease in:		
Contributions receivable	35,785	(24,785)
Receivable from split interest agreements	(27,855)	(19,451)
Increase/(decrease) in:		
Accounts payable	67,123	(4,170)
Accrued vacation	3,728	(763)
Other liabilities	<u>222</u>	<u>875</u>
Decrease in Cash from Operating Activities	<u>(14,184)</u>	<u>(66,202)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,034,082)	(328,192)
Proceeds from sale of investments	<u>1,055,813</u>	<u>444,716</u>
Increase in Cash from Investing Activities	<u>21,731</u>	<u>116,524</u>
Increase in Cash and Cash Equivalents	<u>7,547</u>	<u>50,322</u>
Cash and Cash Equivalents, Beginning of Year	<u>371,714</u>	<u>321,392</u>
Cash and Cash Equivalents, End of Year	<u>\$ 379,261</u>	<u>\$ 371,714</u>

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

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Sacramento Public Library Foundation (the Foundation) is a nonprofit public benefit corporation incorporated on June 11, 1984. The Foundation raises funds for the Sacramento Public Library (the Library), a joint powers authority of the City and County of Sacramento.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and are available for general operations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Foundation.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Foundation considers as cash equivalents all highly liquid investments which can be converted into known amounts of cash and have a maturity period of 3 months or less at the time of purchase.

Investments

Investments are carried at estimated fair market value on the statement of financial position. Fair values of investments are estimated based on quoted market prices where available. The fair value of the charitable remainder trust is estimated based on estimated future cash flows using a discount rate of 8.5%. The fair value of the beneficial interest in assets held by others is estimated using the amortized cost basis which is provided by the Sacramento Region Community Foundation.

Beneficial Interest in Assets Held by Others

A portion of the Sacramento Room Endowment is held in pooled investment accounts of the Sacramento Region Community Foundation.

Fixed Assets

Equipment is recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 5 to 7 years. Maintenance and repairs are charged to expenses as incurred. Renewals and betterments over \$1,000, which extend the useful lives of assets, are capitalized.

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributions of tangible assets are recorded at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or assets.

Income Taxes

The Foundation, pursuant to a determination letter from the Internal Revenue Service, is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue code and Section 23701(d) of the California Revenue and Taxation Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2014 and June 30, 2013. Open tax years subject to examination by the U.S. and state authorities are for the years 2011 to 2013, which statutes expire in 2014 to 2016, respectively.

Subsequent Events

Subsequent events have been evaluated through November 14, 2014, which is the date the financial statements were issued.

Use of Estimates

Management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 2: CASH AND CASH EQUIVALENTS

The balance in cash and cash equivalents at June 30, 2014 and June 30, 2013 consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Bank accounts	\$ 221,469	\$ 145,842
Petty cash	234	191
Other deposits	56,974	39,782
Money market accounts held at commercial banks	43,015	42,983
Money market accounts held in investments	<u>57,569</u>	<u>142,916</u>
 Total cash and cash equivalents	 <u>379,261</u>	 <u>371,714</u>
 Cash and cash equivalents	 336,420	 264,634
Cash and cash equivalents - restricted	<u>42,841</u>	<u>107,080</u>
	 <u>\$ 379,261</u>	 <u>\$ 371,714</u>

The Foundation maintains bank accounts at several financial institutions. As of June 30, 2014 the Foundation's total bank balance was \$380,615 of which \$266,072 were fully insured. At June 30, 2013 the Foundation's total bank balance was \$376,901 of which \$194,203 were fully insured.

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 3: INVESTMENTS

Investment securities are reported in the financial statements at fair market value and consisted of the following at June 30, 2014 and June 30, 2013:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Common stocks	\$ 104,819	\$ 91,693
Municipal and corporate bonds	16,297	16,531
Mutual funds	<u>365,524</u>	<u>297,486</u>
Total current investments	<u>486,640</u>	<u>405,710</u>
Endowments:		
Common stocks	\$ 582,537	\$ 525,213
Municipal and corporate bonds	65,187	66,128
Mutual funds	<u>1,684,246</u>	<u>1,507,746</u>
Total endowments	<u>2,331,970</u>	<u>2,099,087</u>
Beneficial interest in assets held by others	166,062	149,549
Receivable - beneficial interest in charitable remainder trust (Note 10)	<u>324,578</u>	<u>296,723</u>
Total non-current investments	<u>\$ 2,822,610</u>	<u>\$ 2,545,359</u>

The following schedule summarizes the investment activity reported in the statement of activities:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Interest and dividends	\$ 56,043	\$ 81,265
Unrealized gains (losses)	249,728	132,038
Realized gains (losses)	102,329	86,235
Investment fees	<u>(54,089)</u>	<u>(50,579)</u>
	<u>\$ 354,011</u>	<u>\$ 248,959</u>

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 4: FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2014 and June 30, 2013.

Assets at Fair Value as of June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Mutual funds	\$ 2,049,770	\$ -	\$ -	\$ 2,049,770
Common stocks	687,356	-	-	687,356
Municipal and corporate bonds	81,484	-	-	81,484
Beneficial interest in assets held by others	-	-	166,062	166,062
Receivable - beneficial interest in charitable remainder trust	-	-	<u>324,578</u>	<u>324,578</u>
Total assets at fair value	<u>\$ 2,818,610</u>	<u>\$ -</u>	<u>\$ 490,640</u>	<u>\$ 3,309,250</u>

Assets at Fair Value as of June 30, 2013

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,805,232	\$ -	\$ -	\$ 1,805,232
Common stocks	616,906	-	-	616,906
Municipal and Corporate bonds	82,659	-	-	82,659
Beneficial interest in assets held by others	-	-	149,549	149,549
Receivable - beneficial interest in charitable remainder trust	-	-	<u>296,723</u>	<u>296,723</u>
Total assets at fair value	<u>\$ 2,504,797</u>	<u>\$ -</u>	<u>\$ 446,272</u>	<u>\$ 2,951,069</u>

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 and 2013

NOTE 4: FAIR VALUE MEASUREMENTS (CONTINUED)

The table below sets forth a summary of changes in the fair value of the Foundation's significant unobservable inputs (level 3) for the years ended June 30, 2014 and June 30, 2013.

	Level 3 Assets as of June 30, 2014	
	Receivable- beneficial interest in charitable remainder trust	Beneficial interest in assets held by others
Balance, beginning of year	\$ 296,723	\$ 149,549
Relating to instruments still held at the reporting date:		
Unrealized gains reported as temporarily restricted contributions on the statement of activities	27,855	-
Unrealized gains included in investment income	-	16,513
Balance, end of year	\$ 324,578	\$ 166,062

	Level 3 Assets as of June 30, 2013	
	Receivable- beneficial interest in charitable remainder trust	Beneficial interest in assets held by others
Balance, beginning of year	\$ 277,272	\$ 141,760
Relating to instruments still held at the reporting date:		
Unrealized gains reported as temporarily restricted contributions on the statement of activities	19,451	-
Unrealized losses included in investment income	-	7,789
Balance, end of year	\$ 296,723	\$ 149,549

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for the contribution receivable from a beneficial interest in a charitable remainder trust (level 3) is determined by calculating the present value of the future distributions expected to be received and a 8.5% discount rate. The fair value of the beneficial interest in assets held by others is estimated using the amortized cost basis which is provided by the Sacramento Region Community Foundation. There have been no changes in valuation techniques and related inputs.

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 5: FIXED ASSETS

Fixed assets consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Depreciable assets - unrestricted		
Equipment and software	\$ <u>9,116</u>	\$ <u>9,116</u>
Less: Accumulated depreciation	<u>(9,116)</u>	<u>(9,116)</u>
Property and equipment, net	\$ <u>-</u>	\$ <u>-</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$0 and \$153, respectively.

NOTE 6: NET ASSETS

Designated and Restricted net assets at June 30, 2014 consisted of the following:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Books and Materials	\$ 124,211	\$ 296,107	\$ 801,623	\$ 1,221,941
Sacramento Room	394,282	128,979	597,761	1,121,022
SPLF Operations	-	-	5,000	5,000
Children Literacy	-	-	35	35
Scholarship	-	-	31,277	31,277
Persian Collection	-	-	13,000	13,000
Legacy of Learning	-	100	-	100
Schwab Rosenhouse	-	501	-	501
Wonder Wagon	17,811	20,389	-	38,200
Time Restricted	324,578	-	-	324,578
Reserves	225,125	-	-	225,125
Children's Materials	-	384	-	384
Literacy	-	1,635	-	1,635
Early Childhood Development	-	1,242	-	1,242
Summer Reading	-	551	-	551
Literacy Vans	-	1,250	-	1,250
Library Operations	<u>-</u>	<u>350</u>	<u>-</u>	<u>350</u>
Total Net Assets	\$ <u>1,086,007</u>	\$ <u>451,488</u>	\$ <u>1,448,696</u>	\$ <u>2,986,191</u>

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

NOTE 6: NET ASSETS (CONTINUED)

Designated and Restricted net assets at June 30, 2013 consisted of the following:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Books and materials	\$ 124,211	\$ 233,203	\$ 800,983	\$ 1,158,397
Sacramento Room	394,282	51,998	595,193	1,041,473
Scholarship	-	-	28,247	28,247
Persian Collection	-	-	13,000	13,000
Legacy of Learning	-	100	-	100
Schwab Rosenhouse	-	501	-	501
Wonder Wagon	17,811	31,721	-	49,532
Branches	-	9,256	-	9,256
Read & Feed Garden	-	18,050	-	18,050
Finra Grant	-	3,522	-	3,522
Time restricted	296,723	-	-	296,723
Reserves	225,125	-	-	225,125
Children's Materials	-	514	-	514
Literacy	-	985	-	985
Early Childhood Development	-	1,242	-	1,242
Library Operations	-	350	-	350
Total Net Assets	<u>\$ 1,058,152</u>	<u>\$ 351,442</u>	<u>\$ 1,437,423</u>	<u>\$ 2,847,017</u>

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Books and materials	\$ 80,380	\$ 46,996
Sacramento Room	76,205	46,410
Legacy of Learning	-	8,000
Scholarship	500	-
Schwab Rosenhouse	11,250	-
Wonder wagon	11,637	1,000
Summer Reading	81,100	60,400
Branch libraries	42,626	39,620
Lucky Day	110	-
Read & Feed Garden	18,050	14,950
Literacy	28,048	-
Children's Materials & Programs	1,013	-
Early Childhood Development	-	7,283
Net assets released from restriction	<u>\$ 350,919</u>	<u>\$ 224,659</u>

SACRAMENTO PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 and 2013

NOTE 7: DONOR-DESIGNATED ENDOWMENTS - AFTER IMPLEMENTATION OF FASB ASC 958-205-50

The Foundation's endowments consist of 4 individual funds established for a variety of purposes. The Foundation's endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity securities and mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has one spending policy. The spending policy states that the distribution rate is derived by taking the last 10-year average endowment portfolio return and subtracting the last years inflation rate for the U.S. Education and Communication CPI Index for All Urban Users as reported by the U.S. Department of Labor Bureau of Labor Statistics. Beginning for the year ended June 30, 2012 the annual distribution of funds is based on a rolling three-year average of the market value of the endowment at the close of each fiscal year on June 30th. If the scheduled disbursement would cause the Endowment's market value to fall below the Endowment's most recently established base value, the disbursement shall be reconsidered by the Foundation's Finance Committee and Board of Directors.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 425,086	\$ 1,448,696	\$ 1,873,782
Board-designated endowment funds	<u>518,493</u>	<u>-</u>	<u>-</u>	<u>518,493</u>
Total funds	<u>\$ 518,493</u>	<u>\$ 425,086</u>	<u>\$ 1,448,696</u>	<u>\$ 2,392,275</u>

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NOTE 7: DONOR -DESIGNATED ENDOWMENTS - AFTER IMPLEMENTATION OF FASB ASC 958-205-50 (CONTINUED)

Changes in endowment net assets during the year ended June 30, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 518,493	\$ 285,201	\$ 1,437,423	\$ 2,241,117
Contributions	-	6,410	8,243	14,653
Net appreciation (depreciation)	-	248,425	3,030	251,455
Amount appropriated for expenditure	-	(114,950)	-	(114,950)
Endowment net assets, end of year	<u>\$ 518,493</u>	<u>\$ 425,086</u>	<u>\$ 1,448,696</u>	<u>\$ 2,392,275</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2013 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 285,201	\$ 1,437,423	\$ 1,722,624
Board-designated endowment funds	<u>518,493</u>	<u>-</u>	<u>-</u>	<u>518,493</u>
Total funds	<u>\$ 518,493</u>	<u>\$ 285,201</u>	<u>\$ 1,437,423</u>	<u>\$ 2,241,117</u>

Changes in endowment net assets as of June 30, 2013 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 518,493	\$ 187,624	\$ 1,399,372	\$ 2,105,489
Contributions	-	5,464	35,351	40,815
Net appreciation (depreciation)	-	185,519	2,700	188,219
Amount appropriated for expenditure	-	(93,406)	-	(93,406)
Endowment net assets, end of year	<u>\$ 518,493</u>	<u>\$ 285,201</u>	<u>\$ 1,437,423</u>	<u>\$ 2,241,117</u>

NOTE 8: TRANSACTIONS WITH THE LIBRARY

The Foundation occupies space in the Library's central location without charge. In-kind contributions from the Library for rent and technology equipment for the years, ended June 30, 2014 and 2013 totaled \$34,126 and \$34,068, respectively.

Since the Foundation's purpose is to support projects of the Library, substantially all program services relate to payments to or on behalf of the Library.

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NOTE 9: IN-KIND CONTRIBUTIONS

During the years ended June 30, 2014 and 2013, the Foundation received the following non-cash donations of materials, services, and free use of facilities that have been reflected in the financial statements of the Foundation:

	2014	2013
Management and general:		
Computer support services	\$ 12,307	\$ 13,005
Copier costs	300	500
IT support	851	851
Use of facilities	14,112	14,112
Telephone equipment	2,400	2,400
Meeting space	-	450
Fundraising:		
Facility services	4,156	3,200
Special event donations	6,250	11,981
	\$ 40,376	\$ 46,499

NOTE 10: SPLIT INTEREST AGREEMENTS

Charitable Remainder Trust

The Foundation is a beneficiary of a charitable remainder trust. The agreement provides that the Library will receive 10% of the trust assets upon the sooner of the expiration of 20 years or the death of the last to die of the income beneficiaries. The beneficial interest in the assets of the trust, which consist principally of stock in a closely-held corporation, is recorded at market value as determined by an independent appraisal, discounted at 8.5%. The increase in the present value of the Foundation's interest in the trust totaled \$27,855 and \$19,451 during the years ended June 30, 2014 and 2013, respectively. The expected date of the gift is December 31, 2020.

NOTE 11: EMPLOYEE BENEFIT PLAN

The Foundation has a Savings Incentive Match Plan for Employees of Small Employers (the Plan). The Plan covers all employees. Under the terms of the Plan, the Foundation matches employee contributions dollar for dollar up to a maximum of 3% of compensation. Total contributions for the years ended June 30, 2014 and 2013 totaled \$2,582 and \$3,515, respectively.

NOTE 12: COLLECTION OF ARTWORK

The Foundation has a collection of artwork, appraised at approximately \$4,000,000, that is on public display. The Foundation has adopted a policy of not capitalizing the collection of artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from insurance recoveries are recorded as increases in net assets when received. The artwork is not allowed to be sold.