



**LAFAYETTE LIBRARY  
AND LEARNING CENTER  
FOUNDATION**

**Financial Statements**

*For the Year Ended*  
*June 30, 2008*

# LAFAYETTE LIBRARY and LEARNING CENTER FOUNDATION

(A California Not-For-Profit Corporation)  
June 30, 2008

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**INDEPENDENT AUDITORS' REPORT**

**The Board of Trustees**  
**Lafayette Library and Learning Center Foundation**

We have audited the statement of financial position of Lafayette Library and Learning Center Foundation as of June 30, 2008 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Lafayette Library and Learning Center Foundation's management. 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 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 Lafayette Library and Learning Center Foundation as of June 30, 2008 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.

*Regalia & Associates*

*Danville, California*  
*February 6, 2009*

LAFAYETTE LIBRARY and LEARNING CENTER FOUNDATION

Statement of Financial Position  
June 30, 2008

ASSETS

	<u>2008</u>
Current assets:	
Cash and cash equivalents	\$ 106,742
Grants and pledges receivable (current portion)	191,595
Investments	4,185,296
Total current assets	<u>4,483,633</u>
Noncurrent assets:	
Grants and pledges receivable (long-term portion)	764,373
Loan receivable from Lafayette Redevelopment Agency	9,071,018
Total noncurrent assets	<u>9,835,391</u>
	<u>\$ 14,319,024</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued liabilities	\$ 34,870
Total current liabilities	<u>34,870</u>
Net assets:	
Unrestricted	91,729
Temporarily restricted	14,192,425
Total net assets	<u>14,284,154</u>
	<u>\$ 14,319,024</u>

**LAFAYETTE LIBRARY and LEARNING CENTER FOUNDATION**

**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	2008 Total
<i>Changes in net assets:</i>			
Revenue and support:			
Contributed income:			
Imagine A Place	\$ -	\$ 12,565,838	\$ 12,565,838
Open Doors, Open Minds	-	1,488,918	1,488,918
Library Operations Fund	-	171,284	171,284
In-kind	27,004	-	27,004
Discount applied to multi-year pledges	-	(33,615)	(33,615)
Total contributed income	27,004	14,192,425	14,219,429
Earned income:			
Interest	337,303	-	337,303
Realized gains on sale of investments	745	-	745
Disposal of fixed assets	(23,490)	-	(23,490)
Total earned income	314,558	-	314,558
Total revenue and support	341,562	14,192,425	14,533,987
Expenses:			
Program services:			
Library operations	-	-	-
Open Doors Program	-	-	-
Supporting services:			
Management and general	42,681	-	42,681
Fundraising and development	207,152	-	207,152
Total expenses	249,833	-	249,833
Increase in net assets	91,729	14,192,425	14,284,154
Net assets at beginning of year	-	-	-
Net assets at end of year	\$ 91,729	\$ 14,192,425	\$ 14,284,154

**LAFAYETTE LIBRARY & LEARNING CENTER FOUNDATION**

**Statement of Cash Flows**  
**Year Ended June 30, 2008**

	2008
<i>Operating activities:</i>	
Increase in net assets	\$ 14,284,154
Adjustments to reconcile to cash provided by (used for) operating activities:	
Changes in:	
Grants and other receivables	(955,968)
Loan receivable from Lafayette Redevelopment Agency	(9,071,018)
Accounts payable	34,870
	4,292,038
Cash provided by operating activities	4,292,038
 <i>Investing activities:</i>	
Acquisition of investments	(4,185,296)
Cash used for investing activities	(4,185,296)
Increase in cash and cash equivalents	106,742
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 106,742
 <i>Additional cash flow information:</i>	
Taxes paid	\$ -
Interest paid	\$ -

**LAFAYETTE LIBRARY and LEARNING CENTER FOUNDATION**

**Statement of Functional Expenses**

**Year Ended June 30, 2008**

	Program Services			Supporting Services			Totals Year Ended June 30 2008
	Library Operations	Open Doors Program	Total Programs	Manage- ment and General	Fundraising and De- velopment	Total	
Bad debts provision	\$ -	\$ -	\$ -	\$ -	\$ 76,000	\$ 76,000	\$ 76,000
Bank and processing fees	-	-	-	1,352	4,056	5,408	5,408
Board meetings	-	-	-	1,127	-	1,127	1,127
Insurance	-	-	-	1,575	-	1,575	1,575
Legal and professional	-	-	-	11,508	-	11,508	11,508
Miscellaneous	-	-	-	1,012	-	1,012	1,012
Office and supplies	-	-	-	8,845	-	8,845	8,845
Outreach and community events	-	-	-	-	32,028	32,028	32,028
Marketing	-	-	-	-	45,209	45,209	45,209
Postage and delivery	-	-	-	1,093	7,216	8,309	8,309
Salaries, taxes and benefits	-	-	-	14,215	42,643	56,858	56,858
Taxes and licenses	-	-	-	68	-	68	68
Telephone and internet	-	-	-	1,886	-	1,886	1,886
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,681</b>	<b>\$ 207,152</b>	<b>\$ 249,833</b>	<b>\$ 249,833</b>

Notes to Financial Statements

June 30, 2008

**1. Organization**

Lafayette Library and Learning Center Foundation (LLLCF) is a California nonprofit, public benefit corporation, qualified as a 501(c)(3) and organized for the principle purpose of establishing and supporting the construction, operations, programs, funding and other business of the Lafayette Library and Learning Center. Lafayette Community Foundation raised private funds during the initial phase of the Imagine A Place Campaign and then granted those funds to LLLCF. There are common board members between these two organizations.

In partnership with leading arts, education, science, and cultural institutions, it is the mission of LLLCF to provide enriched learning opportunities across the age spectrum for the people of Lafayette and East Bay communities.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of LLLCF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

*Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, LLLCF is required 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.

*Revenue Recognition*

LLLCF records contributions in accordance with the recommendations of the Financial Accounting Standards Board in its SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

*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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

LLLCF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. LLLCF maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. LLLCF has not experienced any losses in such accounts.

**Notes to Financial Statements****2. Summary of Significant Accounting Policies (continued)***Fair Value Measurements*

The fair values of all reported assets and liabilities (including financial instruments, none of which are held for trading purposes) approximate carrying values of such amounts in accordance with Financial Accounting Standards in its SFAS No. 157 *Fair Value Measurements*.

*Investments*

Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. In accordance with the Financial Accounting Standards in its SFAS No. 124 (as amended by SFAS No. 157), *Accounting for Investments Held by Not-for-Profit Organizations*, the recorded amounts of all investments are adjusted annually to reflect current market values. Realized and unrealized gains and losses are included in investment income on the statement of activities and changes in net assets.

LLLCF has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that LLLCF could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2008. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented due to uncertain economic conditions.

*Contributed Services and Costs*

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. LLLCF recognized \$27,004 of in-kind donations during the year ended June 30, 2008.

*Advertising and Marketing*

Advertising and marketing costs (which includes media advertising, direct mailings and other marketing materials) are expensed as incurred. Advertising and marketing expense amounted to \$45,209 for the year ended June 30, 2008 and is included with Marketing on the statement of functional expenses.

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

*Net Assets*

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

LLLCF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. There were no permanently restricted net assets at June 30, 2008.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Trustees may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. There were no board-designated funds at June 30, 2008.

*Contributions*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. LLLCF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions in which the donor restrictions are never relieved because of endowment instruments and instructions are recorded as permanently restricted support. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

## Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)***Income Taxes*

LLLCF has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities.

**3. Cash and Cash Equivalents**

Cash and cash equivalents of \$106,742 consists of funds in a local checking account that have a maturity date of 90 days or less. LLLCF attempts to limit its credit risk associated with cash equivalents by utilizing financial institutions that are well capitalized and highly rated.

**4. Grants and Pledges Receivable**

Grants and pledges receivable related to the construction of the library (Imagine A Place) and future library operations (Open Doors, Open Minds) are expected to be collected as follows:

Year ending June 30, 2009	\$ 191,595
Year ending June 30, 2010	873,988
Total grants and pledges receivable	<u>1,065,583</u>
Less: discount applied to multi-year pledges	(33,615)
Present value of pledges receivable	<u>1,031,968</u>
Less: allowance for uncollectible contributions	(76,000)
Less: pledges receivable due within one year (current)	<u>(191,595)</u>
Pledges receivable due after one year (noncurrent)	<u>\$ 764,373</u>

Grants and pledges receivable due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 4% per annum. The change in the value of the grants and pledges receivable during the year ended June 30, 2008 amounted to \$33,615 and is reflected as a component of income affecting the value of temporarily restricted contributions on the statement of activities and changes in net assets.

**5. Loan Receivable from Lafayette Redevelopment Agency**

Loan receivable at June 30, 2008 is due from the Lafayette Redevelopment Agency (the "Agency") and consists of \$9,000,000 in principal and \$71,018 in accrued interest. The loan is unsecured, subordinated to other debt instruments of the Agency, bears interest at the rate of 6.25% per annum, and is payable to LLLCF in various increments of principal and interest through June 30, 2034. Interest is accrued and added to the principal balance for the first nine years of the loan. The Agency is scheduled to remit a \$4,000,000 principal payment to LLLCF on June 30, 2016. Beginning June 30, 2017, the Agency is scheduled to remit interest payments annually through the term of the loan. Additional principal payments will be made annually beginning June 30, 2028.

Notes to Financial Statements

6. Investments

Investments consist of the following at June 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 4,185,296	\$ 4,185,296

All funds are on deposit in a Dreyfus cash management government money market fund held by First Republic Securities Company.

7. Net Assets

Unrestricted net assets consist of the following at June 30, 2008:

Unrestricted and undesignated net assets	<u>\$ 91,729</u>
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LLLCF recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired.

Temporarily restricted net assets consist of the following at June 30, 2008:

Restricted for Imagine A Place	\$12,565,838
Restricted for Open Doors, Open Minds	1,488,918
Restricted for future library operations	171,284
Reduction attributable to discount applied to multi-year pledges	<u>(33,615)</u>
Total temporarily restricted net assets	<u>\$14,192,425</u>

There were no temporarily restricted net assets released from restriction during the year ended June 30, 2008.