



THE BERKELEY PUBLIC
LIBRARY FOUNDATION

BERKELEY PUBLIC LIBRARY FOUNDATION

Financial Statements

For the year ended

June 30, 2013

With Comparative Results for 2012

BERKELEY PUBLIC LIBRARY FOUNDATION

(A California Not-For-Profit Corporation)

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Berkeley Public Library Foundation

We have audited the accompanying financial statements of the Berkeley Public Library Foundation which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 Berkeley Public Library Foundation as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Danville, California
November 15, 2013*

Regalia & Associates

BERKELEY PUBLIC LIBRARY FOUNDATION

**Statements of Financial Position
June 30, 2013 and 2012**

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	\$ 432,082	\$ 261,205
Investments	12,711	16,332
Grants and pledges receivable, net of allowance of \$13,081 and \$31,750 at June 30, 2013 and 2012, respectively	419,949	782,552
Prepaid expenses and other current assets	10,200	1,556
	<hr/>	<hr/>
Total current assets	874,942	1,061,645
	<hr/>	<hr/>
Noncurrent assets:		
Grants and pledges receivable, long-term (net)	-	227,883
Property and equipment, net	1,024	3,253
	<hr/>	<hr/>
Total noncurrent assets	1,024	231,136
	<hr/>	<hr/>
	\$ 875,966	\$ 1,292,781
	<hr/>	<hr/>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 1,933
Accrued payroll liabilities	11,600	5,567
Refundable advance	-	300,000
Accrued commitments to Berkeley Public Library	200,000	840,000
Total current liabilities	211,600	1,147,500
	<hr/>	<hr/>
Net assets:		
Unrestricted	664,366	145,281
	<hr/>	<hr/>
Total net assets	664,366	145,281
	<hr/>	<hr/>
	\$ 875,966	\$ 1,292,781
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BERKELEY PUBLIC LIBRARY FOUNDATION

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<i>Changes in net assets:</i>		
Revenue and support:		
Individual contributions	\$ 351,605	\$ 788,540
Foundation contributions	445,886	178,500
Other contributions	33,396	131,301
In-kind donations	35,675	37,968
Special events	261,944	270,639
Total contributed income	<u>1,128,506</u>	<u>1,406,948</u>
Investment income	227	300
Unrealized losses on investments	(583)	-
Recovery of bad debts	38,868	-
Total other support	<u>38,512</u>	<u>300</u>
Total revenue and support	<u>1,167,018</u>	<u>1,407,248</u>
Expenses:		
Program services	362,272	1,118,625
Management and general	99,040	98,322
Fundraising	73,963	68,040
Special Events - Author Dinner	120,551	126,017
Total expenses	<u>655,826</u>	<u>1,411,004</u>
Increase (decrease) in net assets		
before change in present value of receivables	511,192	(3,756)
Change in present value of receivables	7,893	22,290
Increase in net assets	<u>519,085</u>	<u>18,534</u>
Net assets at beginning of year	145,281	126,747
Net assets at end of year	<u>\$ 664,366</u>	<u>\$ 145,281</u>

BERKELEY PUBLIC LIBRARY FOUNDATION

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
<i>Operating activities:</i>		
Increase in net assets	\$ 519,085	\$ 18,534
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	2,229	3,609
Change in present value of receivables	(7,893)	(22,290)
Changes in:		
Grants and pledges receivable	598,379	(177,438)
Prepaid expenses and other current assets	(8,644)	5,500
Accounts payable and accrued liabilities	(1,933)	1,933
Accrued payroll liabilities	6,033	(4,267)
Refundable advance	(300,000)	-
Accrued commitments to Berkeley Public Library	(640,000)	265,000
Cash provided by operating activities	167,256	90,581
<i>Investing activities:</i>		
Net disposition (acquisition) of investments	3,621	(11,411)
Cash provided by (used for) investing activities	3,621	(11,411)
Net increase in cash and cash equivalents	170,877	79,170
Cash and cash equivalents at beginning of year	261,205	182,035
Cash and cash equivalents at end of year	\$ 432,082	\$ 261,205
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
Taxes	\$ 75	\$ 75

BERKELEY PUBLIC LIBRARY FOUNDATION

**Statement of Functional Expenses
Year Ended June 30, 2013**

(with Summarized Financial Information for the Year Ended June 30, 2012)

	Programs	Admin- istration	Fund- Raising	2013 Total	2012 Total
Author Dinner	\$ -	\$ -	\$120,551	\$ 120,551	\$ 126,017
Author Dinner - in kind	-	-	28,476	28,476	30,768
Bad debts	-	-	-	-	5,618
Financial charges	-	-	6,734	6,734	5,298
Communications/Mail	2,857	4,250	18,791	25,898	9,234
Contract services and consultants	-	-	11,500	11,500	3,105
Contributions to Berkeley Library	214,550	-	-	214,550	976,978
Depreciation	-	2,229	-	2,229	3,609
Event expenses	-	-	2,283	2,283	12,244
Insurance	-	4,195	-	4,195	3,916
Legal and professional fees	-	14,087	-	14,087	13,331
Licenses and permits	-	197	895	1,092	1,091
Miscellaneous	-	851	41	892	1,373
Office supplies and support	-	3,392	-	3,392	2,586
Occupancy	3,600	2,880	720	7,200	7,200
Printing	-	-	4,523	4,523	7,177
Salaries, payroll taxes and benefits	136,139	64,066	-	200,205	195,456
Telecommunications	3,033	1,427	-	4,460	3,210
Travel/meals/meetings	2,093	1,466	-	3,559	2,793
	\$ 362,272	\$ 99,040	\$ 194,514	\$ 655,826	\$ 1,411,004

Notes to Financial Statements
June 30, 2013 and 2012

1. Organization

The Berkeley Public Library Foundation (“Foundation”) is a nonprofit public benefit corporation, organized under the Nonprofit Public Benefit Corporation Law of the State of California for charitable purposes. The corporation is organized and created exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and Section 23701(d) of the California Revenue and Taxation Code, including, without limitations, supporting and enhancing public library facilities, programs and services in Berkeley.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, the Foundation 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. The Foundation has no temporarily or permanently restricted net assets as of June 30, 2013.

Support and Revenue Recognition

The Foundation records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when the Foundation has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of less than three months when acquired.

Grants, Pledges and Contributions Receivable

Grants, pledges and contributions receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at their estimated net realizable value.

Allocation of Expenses

Shared expenses are allocated to program and supporting services based on the ratio of each activity’s direct salary cost to total salary expense.

Notes to Financial Statements

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

Investments

Investments in money market funds and securities with readily determinable market values are reported at fair value with gains and losses included on the statements of activities and changes in net assets. The Foundation follows the provisions of ASC 958.320, *Investments of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. The estimates are based on pertinent information available to management as of June 30, 2013. 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.

Property and Equipment

Property and equipment purchased by the Foundation is stated at cost. Property and equipment donated to the Foundation is recorded at estimated fair value as of the date of the gift. Maintenance and repairs are charged to expense as incurred. Furnishings, equipment and leasehold improvement are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years.

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 certain reported amounts 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 reported period. Accordingly, actual results could differ from those estimates.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, the Foundation is required to report information regarding its exposure to various tax positions taken by the Foundation and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that the Foundation has adequately evaluated its current tax positions and has concluded that as of June 30, 2013, the Foundation does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

The Foundation 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 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the Foundation continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. The Foundation may periodically receive unrelated business income requiring the Foundation to file separate tax returns under federal and state statutes. Under such conditions, the Foundation calculates, accrues and remits the applicable taxes.

Notes to Financial Statements

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

Functional Allocation of Expenses

The costs of providing the Foundation’s various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain amounts in 2012 have been reclassified to conform to the 2013 financial statement presentation.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$432,082 and \$261,205 at June 30, 2013 and 2012, respectively, includes all funds in banks (checking and money market) with maturity dates of three months or less. The Foundation attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

4. Grants and Pledges Receivable

Total grants and pledges receivable of \$419,949 and \$1,010,435 at June 30, 2013 and 2012, respectively, represent funds due from various individuals, foundations and organizations and are reflected net of allowance for doubtful accounts estimated at \$13,081 and \$31,750, respectively. Grants and pledges Receivable at June 30, 2012 are reflected net of a discount related to the calculation of present value amounting to \$7,893.

The change in the value of the grants and pledges receivable for the years ended June 30, 2013 and 2012 amounted to \$7,893 and \$22,290, respectively, and are reflected as components of income affecting the value of unrestricted net assets on the statements of activities and changes in net assets.

5. Investments

Investments consist of money market deposits with an outside brokerage firm. Cost basis and fair value of investments are as follows at June 30:

	2013		2012	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Smith Barney money market funds	\$ 12,711	\$ 12,711	\$ 16,332	\$ 16,332

Smith Barney money market funds earn interest at the rate of 0.01% per annum as of June 30, 2013. Net investment income (including interest earned on all funds) amounted to \$227 and \$300 for the years ended June 30, 2013 and 2012, respectively.

(continued)

Notes to Financial Statements

5. Investments (continued)

Composition of investments utilizing fair value measurements at June 30, 2013 is as follows:

	Total	Level 1	Level 2	Level 3
Smith Barney money market funds	\$ 12,711	12,711	-	-
Totals	\$ 12,711	12,711	-	-

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, (b) Level 2 measurement reflects the value of the investments using significant other observable inputs, and (c) Level 3 measurement reflects the value of the investments using significant unobservable inputs. The Foundation had no investments classified as Level 2 or Level 3 at June 30, 2013.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2013	2012
Office equipment	\$ 24,235	24,235
Less: accumulated depreciation	(23,211)	(20,982)
	\$ 1,024	3,253

Depreciation expense amounted to \$2,229 and \$3,609 for the years ended June 30, 2013 and 2012, respectively.

7. Refundable Advance

During the year ended June 30, 2011, the Foundation received a written commitment from an unrelated foundation that it would provide a \$300,000 matching donation if the Foundation could secure \$3.2 million in capital campaign donations. Because the conditions pertaining to this financial contribution were not materially satisfied as of June 30, 2012, the Foundation reflected the pledge as a current liability on the statements of financial position in accordance with ASC 958.450.25. The conditions have since been satisfied and the refundable advance was reflected as foundation contributed support during the year ended June 30, 2013.

8. Accrued Commitments to Berkeley Public Library

Accrued commitments to Berkeley Public Library of \$200,000 and \$840,000 at June 30, 2013 and 2012, respectively, represent the financial commitment pledged and ratified by the Foundation's Board of Directors to contribute to the Berkeley Public Library. The level of financial support for the Berkeley Public Library system is determined annually by the Foundation's Board of Directors.

Notes to Financial Statements

9. Lease Agreement

Effective February 1, 2009 (and as amended in December 2011), the City of Berkeley entered into an agreement with the Foundation granting it the use of office space through December 31, 2014 for a fee of \$1 per year. Upon expiration of the agreement, the lease may continue on a month-to-month basis (at an undetermined rate) if agreeable to both parties. In recognition of the favorable lease arrangement, management has recorded an in-kind donation of \$7,199 in order to reflect total rent expense of \$7,200 for the years ended June 30, 2013 and 2012.

10. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate the Foundation to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond the Foundation's control, such as general economic conditions, (c) Service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

11. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through November 15, 2013, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.