

**WAUKEGAN PUBLIC LIBRARY
FOUNDATION**
Waukegan, Illinois

FINANCIAL STATEMENTS
Including Independent Auditors' Report

For the Year Ended December 31, 2009

WAUKEGAN PUBLIC LIBRARY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Waukegan Public Library Foundation
Waukegan, Illinois

We have audited the accompanying statement of financial position of Waukegan Public Library Foundation (the Foundation) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Waukegan Public Library Foundation as of December 31, 2009, 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
August 23, 2010

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2009

Assets	
Cash and cash equivalents	\$ 69,372
Contributions receivable	<u>46,000</u>
Total Assets	<u>\$ 115,372</u>
Liabilities and Net Assets	
Total Liabilities	<u>\$ -</u>
Net Assets	
Unrestricted	
Available for operation	6,874
Donor designated	<u>12,304</u>
Total unrestricted	19,178
Temporarily restricted	55,717
Permanently restricted	<u>40,477</u>
Total Net Assets	<u>115,372</u>
Total Liabilities and Net Assets	<u>\$ 115,372</u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Gains				
Contributions	\$ -	\$ 40,542	\$ -	\$ 40,542
Net assets released from restrictions	<u>27,881</u>	<u>(27,881)</u>	<u>-</u>	<u>-</u>
Total Revenues and Gains	<u>27,881</u>	<u>12,661</u>	<u>-</u>	<u>40,542</u>
Expenses				
Program related expenses				
Donations to Waukegan Public Library	<u>27,881</u>	<u>-</u>	<u>-</u>	<u>27,881</u>
Total Program Related Expenses	<u>27,881</u>	<u>-</u>	<u>-</u>	<u>27,881</u>
Operating expenses				
Miscellaneous administrative expenses	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>
Total Operating Expenses	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>
Total Expenses	<u>28,317</u>	<u>-</u>	<u>-</u>	<u>28,317</u>
Change in net assets before investment income	(436)	12,661	-	12,225
Investment income (loss)	<u>132</u>	<u>300</u>	<u>-</u>	<u>432</u>
Change in net assets	(304)	12,961	-	12,657
Net Assets at				
Beginning of Year	<u>19,482</u>	<u>42,756</u>	<u>40,477</u>	<u>102,715</u>
End of Year	<u>\$ 19,178</u>	<u>\$ 55,717</u>	<u>\$ 40,477</u>	<u>\$ 115,372</u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2009

Cash Flows From Operating Activities	
Change in net assets	\$ 12,657
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in operating assets and liabilities	
Contributions receivable	<u>(21,000)</u>
Net Cash Flows From Operating Activities	<u>(8,343)</u>
Net Change in Cash and Cash Equivalents	(8,343)
Cash and Cash Equivalents at Beginning of Year	<u>77,715</u>
Cash and Cash Equivalents at End of Year	<u>\$ 69,372</u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The mission of Waukegan Public Library Foundation (the "Foundation"), a 501(c)(3) charitable organization, is to raise funds for the Waukegan Public Library in order to support educational programs and other projects, such as the construction of the Early Learning Center.

Financial Statement Presentation

These financial statements, which are presented on the accrual basis of accounting, have been prepared in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations* to focus on the Foundation as a whole. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets would permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Expiration of temporary restrictions on net assets (i.e. the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Board Designated Net Assets

Board Designated Net Assets are identified for a specific purpose by the Trustees of the Foundation, sometimes with a recommendation from the donor. While the donor can make recommendations for distributions from Board Designated Net Assets, the final decisions on all grants from advised net assets will be made by Trustees of the Foundation. Since the Foundation is not bound by the donors' recommendations, Board Designated Net Assets are classified as unrestricted net assets.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, not held as part of their investment portfolio, with maturity at purchase of three months or less to be cash equivalents.

The Foundation maintains cash balances which do not exceed the federally insured limit of \$250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contributions

Contributions, including unconditional promises to receive or give, are recognized as revenues in the period received or expenses in the period committed. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All contributions receivable are due within one year. Based on a review of existing receivables, all receivables are considered collectible; accordingly, no allowance for uncollectible contributions was deemed necessary.

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.

Income Taxes

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

Fair Value of Financial Instruments

The Foundation's short-term financial instruments consist of the following: cash and cash equivalents. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments' short-term nature.

For the fiscal year ended December 31, 2009, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (cont.)

In accordance with FASB Staff Position FAS 157-2, Effective Date of FASB Statement 157, the Foundation has deferred the adoption of certain provisions of SFAS No. 157 related to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Foundation is required to provide the following information according to the fair value hierarchy. The fair value ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

All of the Foundation's assets and liabilities measured at fair value on a recurring basis are classified in Level 1.

NOTE 2 – Contribution Receivable

The contribution receivable asset balance consists of unpaid promises to contribute totaling \$46,000 as of December 31, 2009. The unpaid promises relate to donations for the Early Learning Center and the Legacy for Literacy program for \$20,000 and \$26,000, respectively. There is no allowance for uncollectible accounts as, historically all pledges are collected. The entire receivable balance is due within one year.

NOTE 3 – Permanent and Temporarily Restricted Net Assets

Permanently Restricted Net Assets

The permanently restricted asset balance consists of donor endowments. Interest earned on the endowment principal is expendable, classified as a temporarily restricted balance ("Books"). The permanently restricted endowment principal is \$40,477 as of December 31, 2009.

WAUKEGAN PUBLIC LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE 3 – Permanent and Temporarily Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted asset balances consist of unexpended revenues and gains available for projects totaling \$55,717 as of December 31, 2009, as follows:

Early Learning Center	\$	20,292
Storytelling Festival		5,775
Gift of Reading Program		100
Exhibits		2,057
Legacy for Literacy Program		27,215
Books		278
		<hr/>
Total	\$	55,717

Net assets were released from temporary donor restrictions by incurring expenses on specific projects totaling \$27,881 for the year ended December 31, 2009.

NOTE 4 – Subsequent Events

The Foundation has evaluated subsequent events through August 23, 2010, which is the date that the financial statements were approved and available to be issued, and noted that there were no subsequent events.

NOTE 5 – Related Party Transactions

The Foundation is considered to be a discretely presented component unit of the Waukegan Public Library, who is therefore a related party. The board of the Foundation is elected by the Library Board. The Library can impose its will on the Library Foundation. During the year, the Foundation gave the Library \$28,317 to be spent primarily on the Early Learning Center.