

WAUKEGAN PUBLIC LIBRARY FOUNDATION
Waukegan, Illinois

FINANCIAL STATEMENTS
Including Independent Auditors' Report

For the Year Ended December 31, 2010

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, 2010, 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, 2010, 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 25, 2011

WAUKEGAN PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2010

Assets	
Cash and cash equivalents	\$ 85,483
Contributions receivable	<u>6,500</u>
Total Assets	<u>\$ 91,983</u>
Liabilities and Net Assets	
Due to related party	<u>\$ 8,194</u>
Net Assets	
Unrestricted	
Available for operation	6,563
Board designated	<u>12,339</u>
Total unrestricted	18,902
Temporarily restricted	22,910
Permanently restricted	<u>41,977</u>
Total Net Assets	<u>83,789</u>
Total Liabilities and Net Assets	<u>\$ 91,983</u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

Cash Flows From Operating Activities	
Change in net assets	\$ (31,583)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in operating assets and liabilities	
Contributions receivable	39,500
Due to Waukegan Public Library	<u>8,194</u>
 Net Cash Flows From Operating Activities	 <u>16,111</u>
 Net Change in Cash and Cash Equivalents	 16,111
 Cash and Cash Equivalents at Beginning of Year	 <u>69,372</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 85,483</u>

See accompanying notes to financial statements.

WAUKEGAN PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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.

In accordance with the accounting standard on Accounting for Uncertainty in Income Taxes, the Foundation addresses the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize a tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax benefits identified or recorded as liability during fiscal year 2010. Open tax years subject to examination by the U.S. and state taxing authorities are for the year 2007 to 2009, which statutes expire in 2010 to 2012, respectively.

WAUKEGAN PUBLIC LIBRARY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE 4 – Permanently Restricted Net Assets - Endowment

The Foundation's endowment consists of a single fund established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - the Foundation's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois 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 the 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 as 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 UPMIFA. In accordance with UPMIFA, 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 fund
2. The purposes of the Foundation and the donor-restricted endowment fund
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
7. The investment policies of the Foundation

Endowment net asset composition by type of fund consists of the following as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 63	\$ 41,977	\$ 42,040
Total endowment net assets	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 41,977</u>	<u>\$ 42,040</u>

WAUKEGAN PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 6 – Subsequent Events

The Foundation has evaluated subsequent events through August 25, 2011, which is the date that the financial statements were approved and available to be issued, and noted that there were no subsequent events.