

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
Waukegan, Illinois

**FINANCIAL STATEMENTS**  
Including Independent Auditors' Report

As of and For the Year Ended December 31, 2011

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**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011  
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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, 2011, 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 consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011, 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 9, 2012

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**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
STATEMENT OF FINANCIAL POSITION  
As of December 31, 2011

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**Assets**

Cash and cash equivalents	\$ 72,446
Contributions receivable	<u>3,000</u>

<b>Total Assets</b>	<b>\$ <u>75,446</u></b>
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**Liabilities and Net Assets**

Due to related party	<u>\$ 10,829</u>
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**Net Assets**

Unrestricted	
Available for operation	3,345
Board designated	<u>12,339</u>
Total unrestricted	15,684

Temporarily restricted	6,956
Permanently restricted	<u>41,977</u>

Total Net Assets	<u>64,617</u>
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<b>Total Net Assets</b>	<b>\$ <u>75,446</u></b>
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See accompanying notes to financial statements.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Gains</b>				
Contributions	\$ -	\$ 39,766	\$ -	\$ 39,766
Net assets released from restrictions	55,798	(55,798)	-	-
<b>Total Revenues and Gains</b>	<b>55,798</b>	<b>(16,032)</b>	<b>-</b>	<b>39,766</b>
<b>Expenses</b>				
Program related expenses				
Donations to Waukegan Public Library	55,769	-	-	55,769
<b>Total Program Related Expenses</b>	<b>55,769</b>	<b>-</b>	<b>-</b>	<b>55,769</b>
Operating expenses				
Miscellaneous administrative expenses	3,247	-	-	3,247
<b>Total Operating Expenses</b>	<b>3,247</b>	<b>-</b>	<b>-</b>	<b>3,247</b>
<b>Total Expenses</b>	<b>59,016</b>	<b>-</b>	<b>-</b>	<b>59,016</b>
Change in net assets before investment income	(3,218)	(16,032)	-	(19,250)
Investment income	-	78	-	78
Change in net assets	(3,218)	(15,954)	-	(19,172)
Net Assets at Beginning of Year	18,902	22,910	41,977	83,789
End of Year	\$ 15,684	\$ 6,956	\$ 41,977	\$ 64,617

See accompanying notes to financial statements.



**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2011

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<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ (19,172)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in operating assets and liabilities	
Contributions receivable	3,500
Due to related party	<u>2,635</u>
 Net Cash Flows From Operating Activities	 <u>(13,037)</u>
 <b>Net Change in Cash and Cash Equivalents</b>	 <b>(13,037)</b>
 Cash and Cash Equivalents at Beginning of Year	 <u>85,483</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <b><u>\$ 72,446</u></b>

See accompanying notes to financial statements.

# WAUKEGAN PUBLIC LIBRARY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2011

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

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#### *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, including on-going exhibits in 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 generally accepted accounting principles, which establish 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  
As of and For the Year Ended December 31, 2011

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

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*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.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2011. The Foundations' tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2008 through 2010 are open to examination by federal and state authorities.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended December 31, 2011

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

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*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, 2011, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

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**NOTE 2 – Contribution Receivable**

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The contribution receivable asset balance consists of pledges for general operations totaling \$3,000 as of December 31, 2011. There is no allowance for uncollectible accounts as, historically all pledges are collected. The entire receivable balance is due within one year.

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**NOTE 3 –Temporarily Restricted Net Assets**

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Temporarily restricted net asset balances consist of unexpended revenues and gains available for projects totaling \$6,956 as of December 31, 2011, as follows:

Temporarily restricted:

Programs	\$ 806
Concerts	1,875
Storytelling Festival	650
Capital Campaign	3,400
Starry Night Fundraiser	45
Gift of Reading Program	25
Books	110
Other	<u>45</u>
Total	<u>\$ 6,956</u>

Net assets were released from temporary donor restrictions by incurring expenses on specific projects totaling \$55,798 for the year ended December 31, 2011.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
 NOTES TO FINANCIAL STATEMENTS  
 As of and For the Year Ended December 31, 2011

**NOTE 4 – Permanently Restricted Net Assets - Endowment**

The Foundation's endowment consists of a single fund established for a variety of purposes. 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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 110	\$ 41,977	\$ 42,087
Total endowment net assets	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 41,977</u>	<u>\$ 42,087</u>

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
As of and For the Year Ended December 31, 2011

**NOTE 4 – Permanently Restricted Net Assets – Endowment (cont.)**

Changes in endowment net assets for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2010	\$ -	\$ 63	\$ 41,977	\$ 42,040
Investment return:				
Investment income	-	47	-	47
Total investment return	-	47	-	47
Endowment net assets, December 31, 2011	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 41,977</u>	<u>\$ 42,087</u>

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies that maximize protection of the underlying assets. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that assume a low level of investment risk.

**Strategies Employed for Achieving Objectives** - To satisfy its objective of a low level of investment risk, assets are invested in only interest-bearing deposit accounts.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Foundation only spends interest earned in a given year.

**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 \$55,769 to be spent primarily on the Early Learning Center, Legacy of Learning Program and other literacy initiatives.

**WAUKEGAN PUBLIC LIBRARY FOUNDATION**  
NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended December 31, 2011

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**NOTE 6 – Subsequent Events**

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The Foundation has evaluated subsequent events through August 9, 2012, which is the date that the financial statements were approved and available to be issued, and noted that there were no subsequent events.

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