

Cupertino Library Foundation, Inc.  
Audited Financial Statements  
For the Year Ended December 31, 2008

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**Deborah Daly CPA**

3015 Hopyard Road, Suite S  
Pleasanton, CA 94566

www.dalycpa.com  
Office (925) 426-1996  
Fax (925) 426-1196

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Cupertino Library Foundation:

We have audited the accompanying statement of financial position of Cupertino Library Foundation (a nonprofit Organization) as of December 31, 2008, and the related statements of activities, functional expenses 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. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated June 17, 2008, we expressed an unqualified opinion on those financial statements.

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 Cupertino Library Foundation as of December 31, 2008, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Pleasanton, California  
April 2, 2009

Cupertino Library Foundation  
Statement of Financial Position  
December 31, 2008

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Summarized 2007</u>
ASSETS				
Cash	\$198,393		\$198,393	\$232,829
Endowment Fund	<u>(272,340)</u>	<u>\$1,403,272</u>	<u>1,130,932</u>	<u>1,607,468</u>
TOTAL ASSETS	<u><u>(\$73,947)</u></u>	<u><u>\$1,403,272</u></u>	<u><u>\$1,329,325</u></u>	<u><u>\$1,840,297</u></u>
NET ASSETS				
Net Assets	<u>(\$73,947)</u>	<u>\$1,403,272</u>	<u>\$1,329,325</u>	<u>\$1,840,297</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>(\$73,947)</u></u>	<u><u>\$1,403,272</u></u>	<u><u>\$1,329,325</u></u>	<u><u>\$1,840,297</u></u>

The accompanying notes are an integral part of this financial statement.

Cupertino Library Foundation  
Statement of Activities  
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2008</u>	<u>Summarized 2007</u>
<b>REVENUE</b>					
Donations	\$7,261	\$2,550	\$4,847	\$14,658	\$4,321
In-kind donations	157			157	
Bookbag sales	41			41	80
Investment income	<u>(476,397)</u>			<u>(476,397)</u>	<u>133,554</u>
Subtotal revenue	<u>(468,938)</u>	<u>2,550</u>	<u>4,847</u>	<u>(461,541)</u>	<u>137,955</u>
Net asset changes in restrictions					
Donor restrictions met	<u>2,550</u>	<u>(2,550)</u>			
Total Revenue	<u>(466,388)</u>	<u>0</u>	<u>4,847</u>	<u>(461,541)</u>	<u>137,955</u>
<b>EXPENSES</b>					
Library activities	41,003			41,003	85,276
Management & general	8,428			8,428	7,034
Fund raising	<u>0</u>			<u>0</u>	<u>163</u>
Total expenses	<u>49,431</u>			<u>49,431</u>	<u>92,473</u>
Increase (decrease) in Net Assets	<u>(515,819)</u>	<u>0</u>	<u>4,847</u>	<u>(510,972)</u>	<u>45,482</u>
Net Assets beginning of the year	<u>441,872</u>	<u>0</u>	<u>1,398,425</u>	<u>1,840,297</u>	<u>1,794,815</u>
Net Assets end of the year	<u><u>(\$73,947)</u></u>	<u><u>\$0</u></u>	<u><u>\$1,403,272</u></u>	<u><u>\$1,329,325</u></u>	<u><u>\$1,840,297</u></u>

The accompanying notes are an integral part of this financial statement.

Cupertino Library Foundation  
Statement of Functional Expenses  
For the Year Ended December 31, 2008

Expense	Program Services	Support Services		Total	Summarized
	Library Activities	Management & General	Fund Raising	2008	2007
Community events	\$11,197			\$11,197	\$10,000
Dues, fees & other charges		\$482		482	458
Insurance		1,359		1,359	1,407
Library support	29,366			29,366	75,276
Meetings		570		570	317
Postage & printing		200		200	257
Professional fees		5,400		5,400	3,600
Supplies		417		417	1,158
Training	440			440	
<b>TOTAL</b>	<b>\$41,003</b>	<b>\$8,428</b>	<b>\$0</b>	<b>\$49,431</b>	<b>\$92,473</b>

The accompanying notes are an integral part of this financial statement.

Cupertino Library Foundation  
Statement of Cash Flows  
For the Year Ended December 31, 2008

	Total 2008	Summarized 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase / (decrease) in net assets	(\$510,972)	\$45,482
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gains) / losses on investments	536,870	(11,819)
	<u>25,898</u>	<u>33,663</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments, reinvested	(5,726)	(66,191)
Investment deposits	(4,847)	
Investment redemptions		174,243
Dividends & interest reinvested, less management fees	(49,761)	(53,678)
	<u>(60,334)</u>	<u>54,374</u>
<b>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>	<u>(60,334)</u>	<u>54,374</u>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS:</b>	<u>(34,436)</u>	<u>88,037</u>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>232,829</u>	<u>144,792</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$198,393</u>	<u>\$232,829</u>

The accompanying notes are an integral part of this financial statement.

Cupertino Library Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cupertino Library Foundation (Foundation) was incorporated under the laws of the State of California in 1994. The Foundation's primary objective is to assist the Cupertino branch of the Santa Clara County Library System in providing the highest quality of operations. The Foundation seeks contributions either for the direct support of the library, or indirectly to be used by the Foundation to ensure the library maintain levels of operation not currently funded by public agencies.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies that follow are described to enhance the usefulness of the financials statements to the reader.

Financial Statement Presentation

The Foundation prepares its Financial Statements in accordance with generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Foundation. The Foundation reports an increase in unrestricted net assets for all restricted revenue received for which restrictions have been met in the current period. Temporary restricted net assets include those subject to donor restrictions that are not met at the end of the current reporting period. Permanently restricted net assets include those subject to non-expiring donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash

For purposes of the statement of cash flows, the Foundation considers all cash accounts held in commercial accounts regardless of maturity to be cash.

Contributions

The Foundation accounts for contributions received and made in accordance with Accounting Standards for Contributions of Not-for-profit Organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor stipulated restrictions at the date of donation. Contributed services which require a specialized skill, and which the Foundation would have paid for if not otherwise donated, are recorded at their estimated fair market value at the time the services are rendered.

Cupertino Library Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

#### Contributions In-kind

Donations are recorded at their estimated fair market value on the day of donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair market value at the time the services are rendered.

#### Revenue Recognition

The Foundation recognizes revenue on the accrual basis of accounting. The Foundation's main source of revenue is investment earnings and donations from various members of the community. Donations are recorded as an increase in unrestricted revenue or as restricted revenue depending on the nature of the donor's requirements.

#### Income Taxes

The Foundation is exempt from Income Taxes under Section 501(c)3 of the Internal Revenue Code and similar state provisions. Accordingly, Income Taxes are not provided for in the financial statements. The Foundation is not classified as a private foundation.

#### Cost Allocations

The costs of operating the Foundation's program and supporting services have been summarized on a functional basis in the statement of activities. All costs are allocated directly to the functional area.

#### Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2007, from which the summarized information was obtained.

#### Investments

The Foundation reports investments in marketable securities with readily determinable fair values in the statement of financial position. Fair market values are based on market quotations as reported by the investment broker. Realized gains and losses are determined on the specific identification method, which are calculated using historical costs.

#### Concentrations of Risk

The Foundation maintains cash and investments in financial accounts, which at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and investments.

#### Fair Value of Financial Instruments

The carrying amounts of cash and investments approximate fair value because of the short maturity of these instruments.

Cupertino Library Foundation  
Notes to the Financial Statements  
For the Year Ended December 31, 2008

NOTE B - ENDOWMENTS

The Foundation is a beneficiary of a testamentary endowment. At December 31, 2008 the Foundation has received a total distribution from the endowment of \$1,403,272. The endowment stipulates the Foundation maintain the principal in perpetuity and any income earned may be used for unrestricted purposes. The endowment principal is reported permanently restricted in the statement of financial position. The endowment earnings are reported unrestricted in the statement of activities.

Endowment assets are invested in common stocks and money funds, held at UBS Financial Services. At December 31, 2008 the fair market value of endowment assets held is \$1,130,932. The endowment fund is underwater by \$272,340, as the permanently restricted endowment fund exceeds the fair market value of the endowment assets invested. After the fair value of the endowment assets invested equal the required permanently restricted level, such excess will again be available for expenditure.

For the year ended December 31, 2008 investment income consists of the following:

Unrealized losses	(\$536,870)
Realized gains	5,726
Investment fees	(15,326)
Interest / dividends	65,087
Subtotal	(\$481,383)
Interest on cash accounts	4,986
Total	(\$476,397)

NOTE C – TEMPORARILY RESTRICTED DONATIONS

For the year ended December 31, 2008, the Foundation's temporarily restricted net asset activity consist of the following:

	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Silicon Valley Reads	\$0	\$2,550	(\$2,550)	\$0

NOTE D – IN-KIND DONATIONS

For the year ended December 31, 2008 the Foundation recognized the following in-kind donations: Food supplies for the Silicon Valley Reads Community Event, \$157.