

**THE PETERSBURG LIBRARY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended**

**December 31, 2010 & December 31, 2009**

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# Stephen M. Ragland, Ltd.

Certified Public Accountant

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Stephen M. Ragland, CPA  
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## Independent Auditor's Report

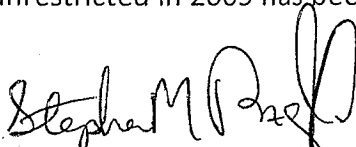
Board of Directors  
The Petersburg Library Foundation, Inc.  
Petersburg, VA

We have audited the accompanying statements of financial position of The Petersburg Library Foundation, Inc. (a nonprofit organization) as of December 31, 2010 and December 31, 2009, and the related statements of activities, cash flows, and functional expenses for the twelve months then ended. These financial statements are the responsibility of The Petersburg Library 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 The Petersburg Library Foundation, Inc. as of December 31, 2010 and December 31, 2009, and the changes in its net assets and its cash flows for the twelve months then ended in conformity with accounting principles generally accepted in the United States of America.

Per Note 4 to the financial statements, a contribution that was originally recorded as unrestricted in 2009 has been reclassified to a temporarily restricted contribution.



Stephen M. Ragland, Ltd.  
Richmond, Virginia  
May 3, 2011

The Petersburg Library Foundation, Inc.  
Statement of Financial Position  
as of December 31, 2010 & December 31, 2009

	<b>ASSETS</b>	
	<u>12/31/2010</u>	<u>12/31/2009</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,099,014	\$ 309,684
Other receivables	77	11,865
Unconditional promises to give	141,086	429,134
Total Current Assets	<u>1,240,177</u>	<u>750,683</u>
<b>Capital Assets:</b>		
Buildings and improvements	-	-
Construction in progress	1,068,774	937,710
Office equipment	3,791	1,695
Land	343,700	343,700
Less: accumulated depreciation	(732)	(339)
Total Capital Assets	<u>1,415,533</u>	<u>1,282,766</u>
<b>Other Assets:</b>		
Unconditional promises to give	173,751	726,748
Loan costs	-	3,500
Amortization of loan costs	-	(2,479)
Total Other Assets	<u>173,751</u>	<u>727,769</u>
Total Assets	<u>\$ 2,829,461</u>	<u>\$ 2,761,218</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable	\$ 21,890	\$ 3,942
Accrued salaries payable	4,570	5,491
Payroll taxes payable	350	420
Notes payable-current portion	70,702	180,000
Total Current Liabilities	<u>97,512</u>	<u>189,853</u>
<b>Net Assets:</b>		
Net Assets - unrestricted	1,826,311	1,610,843
Net Assets - temporarily restricted	905,638	960,522
Total Net Assets	<u>2,731,949</u>	<u>2,571,365</u>
Total Liabilities and Net Assets	<u>\$ 2,829,461</u>	<u>\$ 2,761,218</u>

The Auditor's report and accompanying notes are an integral part of these statements

The Petersburg Library Foundation, Inc.  
Statement of Activities  
Twelve Months Ended December 31, 2010 & December 31, 2009

	<u>Twelve Months</u> <u>Ended 12/31/10</u>	<u>Twelve Months</u> <u>Ended 12/31/09</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support and Revenue</b>		
Donations	\$ 317,669	\$ 619,948
Program fee income	1,127	1,088
Gain (Loss) on sale of securities	-	(69)
Interest income	5,805	553
Total Support and Revenue	<u>324,601</u>	<u>621,520</u>
Net assets released from donor restrictions	<u>102,112</u>	<u>166,545</u>
Total Unrestricted Support and Revenue	<u>426,713</u>	<u>788,065</u>
<b>Expenses Paid</b>		
Program Services		
Capital Campaign	145,641	102,883
Literature Fund	14,884	19,312
Champion Reader Program	11,413	
Total Program Services	<u>171,938</u>	<u>122,195</u>
Supporting Services		
General and administrative expenses	<u>39,306</u>	<u>26,114</u>
Total Supporting Services	<u>39,306</u>	<u>26,114</u>
Total Expenses	<u>211,244</u>	<u>148,309</u>
<b>Other Income (Expenses)</b>		
Loss on demolition	-	(1,160,530)
Total Other Income (Expenses)	<u>-</u>	<u>(1,160,530)</u>
Increase (decrease) in unrestricted net assets	215,469	(520,774)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Restricted grants	15,429	999,875
Restricted donations	31,798	2,000
Net assets released from restrictions	<u>(102,112)</u>	<u>(166,545)</u>
Change in Temporarily Restricted Net Assets	<u>(54,885)</u>	<u>835,330</u>
Total increase (decrease) in Net Assets	160,584	314,556
Net Assets, Beginning of Year	<u>2,571,365</u>	<u>2,256,809</u>
Net Assets, Ending of Year	<u>\$ 2,731,949</u>	<u>\$ 2,571,365</u>

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The Petersburg Library Foundation, Inc.  
Statement of Cash Flows  
Twelve Months Ended December 31, 2010 & December 31, 2009

	<u>Twelve Months</u> <u>Ended 12/31/2010</u>	<u>Twelve Months</u> <u>Ended 12/31/2009</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 160,584	\$ 314,556
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Amortization	1,021	1,750
Depreciation	393	339
Change in accounts receivable	11,788	(11,865)
Change in unconditional promises to give	841,045	(1,011,380)
Change in accounts payable	17,948	(11,969)
Change in accrued expenses	(991)	5,811
Total Adjustments	<u>871,204</u>	<u>(1,027,314)</u>
Net Cash Used in Operating Activities	1,031,788	(712,758)
<b>Cash Flows from Investing Activities:</b>		
Costs for New Library Building	(131,064)	(25,502)
Cost of office equipment	(2,096)	(1,695)
Cost of improvements to land	-	(82,850)
Loss on demolition	-	1,120,911
Net cash provided (used) by investing activities	<u>(133,160)</u>	<u>1,010,864</u>
<b>Cash Flows from Financing Activities:</b>		
New Borrowings		
Short-term		80,000
Repayments		
Short-term	(109,298)	(200,000)
Net Cash provided (used) by financing activities	<u>(109,298)</u>	<u>(120,000)</u>
Net Change in Cash	789,330	178,106
Cash, Beginning of Year	<u>309,684</u>	<u>131,578</u>
Cash, End of Year	<u>\$ 1,099,014</u>	<u>\$ 309,684</u>
<b>Supplementary Information:</b>		
	<u>12/31/2010</u>	<u>12/31/2009</u>
Interest paid	4,083	10,229
Income taxes paid	-	-

The Auditor's report and accompanying notes are an integral part of these statements

The Petersburg Library Foundation, Inc.  
Statement of Functional Expenses  
Twelve Months Ended December 31, 2010

	Programs			Support Services		Total
	Capital Campaign	Literature Fund	Champion Reader	General & Administrative	Total Support Services	
Advertising	\$ 40,309	\$ -	\$ 6,441	\$ -	\$ -	\$ 46,750
Amortization	-	-	-	1,021	1,021	1,021
Depreciation	-	-	-	393	393	393
Dues & Subscriptions	280	-	-	-	-	280
Insurance expense	-	400	-	2,271	2,271	2,671
Interest expense	-	-	-	4,083	4,083	4,083
Licenses and permits	-	50	-	450	450	500
Miscellaneous	-	269	118	4,297	4,297	4,684
Office supplies	7,937	-	3,050	162	162	11,149
Other direct program costs	1,970	14,165	1,804	-	-	17,939
Outside services	-	-	-	25,330	25,330	25,330
Payroll taxes	6,503	-	-	-	-	6,503
Postage and delivery	266	-	-	-	-	266
Real estate taxes	-	-	-	1,299	1,299	1,299
Salaries and benefits	88,376	-	-	-	-	88,376
	\$ 145,641	\$ 14,884	\$ 11,413	\$ 39,306	\$ 39,306	\$ 211,244

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The Petersburg Library Foundation, Inc.  
Statement of Functional Expenses  
Twelve Months Ended December 31, 2009

	Programs			Support Services		Total
	Capital Campaign	Literature Fund	Total Programs	General & Administrative	Total Support Services	
Advertising	\$ 13,922	\$ 6,288	\$ 20,210	\$ 2,466	\$ 2,466	\$ 22,676
Amortization	-	-	-	1,750	1,750	1,750
Depreciation	-	-	-	339	339	339
Insurance expense	-	1,185	1,185	1,278	1,278	2,463
Interest expense	-	-	-	10,229	10,229	10,229
Licenses and permits	-	50	50	25	25	75
Miscellaneous	1,705	30	1,735	1,684	1,684	3,419
Office supplies	-	-	-	917	917	917
Other direct program costs	1,029	11,759	12,788	3,548	3,548	16,336
Outside services	-	-	-	2,700	2,700	2,700
Payroll taxes	5,648	-	5,648	-	-	5,648
Penalties	30	-	30	-	-	30
Postage and delivery	622	-	622	56	56	678
Real estate taxes	-	-	-	1,122	1,122	1,122
Salaries and benefits	79,927	-	79,927	-	-	79,927
	<u>\$ 102,883</u>	<u>\$ 19,312</u>	<u>\$ 122,195</u>	<u>\$ 26,114</u>	<u>\$ 26,114</u>	<u>\$ 148,309</u>

The Auditor's report and accompanying notes are an integral part of these statements



# The Petersburg Library Foundation, Inc.

## Notes to the Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Activities

The Petersburg Library Foundation, Inc. (the "Foundation"), was formed "to provide financial support for the purchase, construction and operation of a new library for the City of Petersburg. The Foundation's support comes primarily from grants and individual donors' contributions. In addition, the Foundation holds a festival annually to promote reading in the community. The Foundation was incorporated on September 10, 2003.

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

#### Public Support and Revenue

Contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded when the pledge is received. Unconditional promises to give which are due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Management periodically reviews the outstanding promises to give, and uses the direct write-off method to remove uncollectible amounts.

Grants and other contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### 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 disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Foundation's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the fiscal year ended December 31, 2010. As of December 31, 2010 and 2009, the balance on deposit at a single financial institution was \$1,095,118 and \$289,227, respectively. The Federal Deposit Insurance Corporation insures deposits up to \$250,000.

**The Petersburg Library Foundation, Inc.**  
**Notes to the Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

Assets with an estimated useful life exceeding one year are capitalized as property and equipment. Property and equipment are recorded at cost, or at fair market value for donated assets, and depreciated over the estimated useful life of each asset.

Depreciation is computed using the straight-line method over three to forty years.

**Building and Improvements**

Costs that clearly relate to the building site of the new public library are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, acquisition costs are allocated based on their relative fair value before development, and development costs are allocated based on their relative sales value. Because actual construction has not started, interest costs are not being capitalized until real construction begins.

**Advertising Costs**

The Foundation's policy is to expense advertising costs when incurred.

**NOTE 2: UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31, 2010, and December 31, 2009:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 141,086	\$ 429,133
Receivable in one to five years	195,125	757,742
Receivable in more than five years	-	-
Total unconditional promises to give	<u>336,211</u>	<u>1,186,875</u>
Discount to net present value	<u>(21,374)</u>	<u>(30,994)</u>
 Net Pledges receivable	 <u>\$ 314,837</u>	 <u>\$ 1,155,881</u>

Long-term pledges are recognized at fair value, using present value techniques and discount rates that ranged from 4.73% to 2.66%, depending on the stated or anticipated length of the pledge.

In June, 2009, the Foundation was awarded a grant of \$1,000,000 from the Cameron Foundation to support the construction of a new public library facility. The grant is a one year challenge grant, whereby the Cameron Foundation matches private donations by individuals, businesses, and corporations one dollar of grant money for one dollar raised from these sources. As of December 31, 2010, the Foundation had received \$1,000,000 of matching funds from this grant.

**The Petersburg Library Foundation, Inc.**  
**Notes to the Financial Statements**

**NOTE 3: CAPITAL ASSETS**

Capital assets consist of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Nondepreciable:		
Construction in Progress	\$ 1,068,774	\$ 937,710
Land	343,700	343,700
Total	<u>\$ 1,412,474</u>	<u>\$ 1,281,410</u>
Depreciable:		
Buildings and Improvements	\$ -	\$ -
Office equipment	3,791	\$ 1,695
Less Accumulated Depreciation	(732)	(339)
Total	<u>\$ 3,059</u>	<u>\$ 1,356</u>

The Foundation acquired the site property for the new library with limitations on property use. The property cannot be sold or otherwise conveyed for a period of two years and one month, beginning December 15, 2006. In addition, for a period of twenty years, the property may not be used for any purpose except (A) a public library and uses relating thereto and/or (B) a public park.

**NOTE 4: TEMPORARILY RESTRICTED NET ASSETS**

The Foundation has received temporarily restricted net assets to support its programs. The activity associated with these temporarily restricted net assets is as follows:

	<u>2010</u>	<u>2009</u>
Opening balance, temporarily restricted net assets	\$ 960,522	\$ 125,193
Add restricted grant to building fund	-	1,000,000
Add restricted contribution for reader program	15,798	2,000
Add restricted contribution for literature program	16,000	
Add grant for Salary support	12,500	
Amortized discount of grant income	2,929	(126)
Subtotal	<u>1,007,749</u>	<u>1,127,067</u>
Approved grant expenditures-capital expenditures	-	-
Demolition		(66,310)
Capitalized construction costs	(43,289)	(710)
Capital campaign costs	(58,822)	(99,525)
Ending balance, temporarily restricted net assets	<u>\$ 905,638</u>	<u>\$ 960,522</u>

**The Petersburg Library Foundation, Inc.**  
**Notes to the Financial Statements**

**NOTE 4: TEMPORARILY RESTRICTED NET ASSETS (continued)**

	Restricted Balance 12/31/10	Restricted Balance 12/31/09
Capacity Fund	\$ -	\$ 28,471
Capital Campaign	8,446	-
Construction Fund	889,691	930,051
Literature Fund	1,115	-
Champion Reader Fund	6,386	2,000
	\$ 905,638	\$ 960,522

The foundation received a grant of \$1,000,000 in June 2009, which was originally classified as an unrestricted contribution. Upon further review, it was determined that this contribution should have been recorded as a temporarily restricted contribution. This contribution has been reclassified to recognize it as a temporarily restricted contribution.

**NOTE 5: INVESTMENTS**

Investment revenues are reported net of related investment expenses in the statement of activities. The Foundation received a contribution of shares of stock in 2009 which it sold upon receipt. The net proceeds less the fair market value on receipt resulted in a loss of \$69. In 2010 there were no stock transactions.

**NOTE 6: OTHER INCOME**

Annually, the Foundation assists with a festival to promote reading and literacy in Petersburg. This program is funded through donations and fees charged to vendors. Donations for this event in 2010 and 2009 were \$16,000 and \$18,088, respectively.

**NOTE 7: FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**The Petersburg Library Foundation, Inc.**  
**Notes to the Financial Statements**

**NOTE 8: DEBT**

The Foundation's obligation under notes payable consists of the following:

	<u>12/31/2010</u>	<u>12/31/2009</u>
Roslyn Farm Corp		
0% note payable, due upon maturity, payable on demand (unsecured)	\$ 70,702	\$ 80,000
LISC (Local Initiatives Support Corporation), dated July 14, 2008		
7% note payable, accrued interest payable in quarterly installments through August 1, 2010 (Note personally guaranteed by the Chairman of the Foundation).	\$ -	\$ 100,000

**NOTE 9: RELATED PARTY TRANSACTIONS**

The Foundation purchases life insurance for its employee through an insurance agent who is also a member of the Board of Directors of the Foundation and an Officer. The Foundation also has a brokerage account with the same member of the Board of Directors. The purpose of this account is to sell securities when the Foundation receives them as a donation.

Members of the Board of Directors have made donations to the Foundation to assist with its capital campaign. Pledges by board members to the Foundation in 2010 and 2009 were \$1,200 and \$4,500, respectively.

The Foundation borrowed \$80,000 from Roslyn Farm Corporation on June 19, 2009. Roslyn Farm Corporation is owned by a corporate officer of the Foundation. On July 2, 2010 Roslyn Farm Corporation forgave \$9,298 of the loan as a contribution to the Champion Reader Program.

The Foundation rented a studio for an event from a board member of the Foundation in 2010 for \$1,000.

**NOTE 10: CONCENTRATION OF SUPPLIERS**

The Petersburg Library Foundation engaged an architect, an engineering firm, and a demolition firm to provide a substantial amount of services for the new Library building project. The Foundation paid \$106,746 in 2010 and \$147,516 in 2009, respectively to the three vendors.

**The Petersburg Library Foundation, Inc.**  
**Notes to the Financial Statements**

**NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles require disclosures of an estimate of fair value of certain financial instruments. The Foundations' short term financial instruments are cash, donations receivable, and accounts payable. For these instruments, the carrying value approximates fair value.

**NOTE 12: SUBSEQUENT EVENTS**

In October of 2009, the Foundation entered into a memorandum agreement with the City of Petersburg, a Virginia municipality, in which the City agrees to contribute \$5,000,000 in proceeds of general obligation bonds to the Foundation for the construction of the new library. The agreement stipulates that the City will not issue the bonds until the Foundation has obtained a combination of cash and firm commitments totaling 80% of the new library's projected cost as of the date of the memorandum agreement, and the Foundation has received a firm commitment for the loan of \$2,200,000. Upon completion of the new library project, the City will lease the new library from the foundation for monthly amounts equal to the loan payments. Once the new library is completed, and the loan paid in full, the Foundation will donate the new library to the City by special warranty deed, without any liens or other encumbrances. Since this arrangement is set forth as a memorandum agreement, it is not a legally binding contract, and therefore is subject to change.

On November 4, 2010, the Foundation was advised that the Directors of the Mary Morton Parsons Foundation had approved a 1:1 matching grant of \$250,000 to the Petersburg Library Foundation for the Capital Campaign for the new Library. The agreement provides that the matching funds must be from new gifts directly resulting from this grant and should be from a diverse group of funders with no more than 50% of the matching funds coming from other private foundations. The Mary Morton Parson Foundation expects that the match will be completed within twelve months, which would be no later than November 2011.

Subsequent events were evaluated through the date that the financial statements were available to be issued which was April 26, 2011.