

THE PETERSBURG LIBRARY FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended

December 31, 2011 & December 31, 2010

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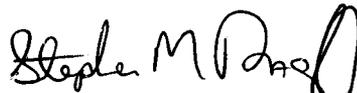
Independent Auditor's Report

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, 2011 and December 31, 2010, 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, 2011 and December 31, 2010, 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.



Stephen M. Ragland, Ltd.
Richmond, Virginia
May 16, 2012

The Petersburg Library Foundation, Inc.
Statement of Financial Position
as of December 31, 2011 & December 31, 2010

ASSETS		<u>12/31/2011</u>	<u>12/31/2010</u>
Current Assets:			
Cash and cash equivalents	\$	1,404,772	\$ 1,099,014
Other receivables		-	77
Prepaid Expenses		375	-
Unconditional promises to give		498,608	141,086
Total Current Assets		<u>1,903,755</u>	<u>1,240,177</u>
Capital Assets:			
Buildings and improvements		-	-
Construction in progress		1,179,443	1,068,774
Office equipment		3,791	3,791
Land		343,700	343,700
Less: accumulated depreciation		(1,490)	(732)
Total Capital Assets		<u>1,525,444</u>	<u>1,415,533</u>
Other Assets:			
Unconditional promises to give		125,119	173,751
Loan costs		-	-
Amortization of loan costs		-	-
Total Other Assets		<u>125,119</u>	<u>173,751</u>
Total Assets	\$	<u>3,554,318</u>	\$ <u>2,829,461</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$	15,347	\$ 21,890
Accrued salaries payable		4,564	4,570
Payroll taxes payable		349	350
Notes payable-current portion		-	70,702
Total Current Liabilities		<u>20,260</u>	<u>97,512</u>
Net Assets:			
Net Assets - unrestricted		2,395,770	1,826,311
Net Assets - temporarily restricted		1,138,288	905,638
Total Net Assets		<u>3,534,058</u>	<u>2,731,949</u>
Total Liabilities and Net Assets	\$	<u>3,554,318</u>	\$ <u>2,829,461</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, 2011 & December 31, 2010

	<u>Twelve Months Ended 12/31/11</u>	<u>Twelve Months Ended 12/31/10</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Donations	\$ 565,685	\$ 317,669
Program fee income	-	1,127
Interest income	6,693	5,805
Total Support and Revenue	<u>572,378</u>	<u>324,601</u>
Net assets released from donor restrictions	<u>147,622</u>	<u>102,112</u>
Total Unrestricted Support and Revenue	<u>720,000</u>	<u>426,713</u>
Expenses Paid		
Program Services		
Capital Campaign	134,672	145,641
Literature Fund	376	14,884
Champion Reader Program	-	11,413
Total Program Services	<u>135,048</u>	<u>171,938</u>
Supporting Services		
General and administrative expenses	<u>15,493</u>	<u>39,306</u>
Total Supporting Services	<u>15,493</u>	<u>39,306</u>
Total Expenses	<u>150,541</u>	<u>211,244</u>
Increase (decrease) in unrestricted net assets	569,459	215,469
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	350,000	15,429
Restricted donations	30,272	31,798
Net assets released from restrictions	<u>(147,622)</u>	<u>(102,112)</u>
Change in Temporarily Restricted Net Assets	<u>232,650</u>	<u>(54,885)</u>
Total increase (decrease) in Net Assets	802,109	160,584
Net Assets, Beginning of Year	<u>2,731,949</u>	<u>2,571,365</u>
Net Assets, Ending of Year	<u><u>\$ 3,534,058</u></u>	<u><u>\$ 2,731,949</u></u>

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

The Petersburg Library Foundation, Inc.
Statement of Cash Flows
Twelve Months Ended December 31, 2011 & December 31, 2010

	<u>Twelve Months Ended 12/31/2011</u>	<u>Twelve Months Ended 12/31/2010</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 802,109	\$ 160,584
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Amortization	-	1,021
Depreciation	758	393
Change in accounts receivable	77	11,788
Change in unconditional promises to give	(308,890)	841,045
Change in prepaid expenses	(375)	
Change in accounts payable	(6,543)	17,948
Change in accrued expenses	(7)	(991)
Total Adjustments	<u>(314,980)</u>	<u>871,204</u>
Net Cash Used in Operating Activities	487,129	1,031,788
Cash Flows from Investing Activities:		
Costs for New Library Building	(110,669)	(131,064)
Cost of office equipment	-	(2,096)
Net cash provided (used) by investing activities	<u>(110,669)</u>	<u>(133,160)</u>
Cash Flows from Financing Activities:		
New Borrowings		
Short-term		
Repayments		
Short-term	(70,702)	(109,298)
Net Cash provided (used) by financing activities	<u>(70,702)</u>	<u>(109,298)</u>
Net Change in Cash	305,758	789,330
Cash, Beginning of Year	<u>1,099,014</u>	<u>309,684</u>
Cash, End of Year	<u>\$ 1,404,772</u>	<u>\$ 1,099,014</u>
Supplementary Information:		
	<u>12/31/2011</u>	<u>12/31/2010</u>
Interest paid	-	4,083
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, 2011

	Capital		Programs		Support Services		Total
	Campaign	Literature	Fund	Total Programs	General & Administrative	Total Support Services	
Advertising	\$ 26,733	\$ -	\$ -	26,733	\$ -	\$ -	\$ 26,733
Bank charges	-	-	-	-	5	5	5
Depreciation	-	-	-	-	758	758	758
Dues & Subscriptions	582	-	-	582	-	-	582
Insurance expense	-	-	-	-	1,215	1,215	1,215
Licenses and permits	-	-	-	-	225	225	225
Miscellaneous	-	-	-	-	4,568	4,568	4,568
Office supplies	1,127	-	-	1,127	700	700	1,827
Other direct program costs	241	376	-	617	-	-	617
Outside services	-	-	-	-	6,800	6,800	6,800
Payroll taxes	7,441	-	-	7,441	-	-	7,441
Postage and delivery	493	-	-	493	-	-	493
Real estate taxes	-	-	-	-	1,222	1,222	1,222
Salaries and benefits	98,055	-	-	98,055	-	-	98,055
	<u>\$ 134,672</u>	<u>\$ 376</u>	<u>\$ 135,048</u>	<u>\$ 15,493</u>	<u>\$ 15,493</u>	<u>\$ 15,493</u>	<u>\$ 150,541</u>

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

	Programs				Support Services		Total
	Capital	Literature	Champion	Total Programs	General &	Total Support	
	Campaign	Fund	Reader		Administrative	Services	
Advertising	\$ 40,309	\$ -	\$ 6,441	\$ 46,750	\$ -	\$ -	\$ 46,750
Amortization	-	-	-	-	1,021	1,021	1,021
Depreciation	-	-	-	-	393	393	393
Dues & Subscriptions	280	-	-	280	-	-	280
Insurance expense	-	400	-	400	2,271	2,271	2,671
Interest expense	-	-	-	-	4,083	4,083	4,083
Licenses and permits	-	50	-	50	450	450	500
Miscellaneous	-	269	118	387	4,297	4,297	4,684
Office supplies	7,937	-	3,050	10,987	162	162	11,149
Other direct program costs	1,970	14,165	1,804	17,939	-	-	17,939
Outside services	-	-	-	-	25,330	25,330	25,330
Payroll taxes	6,503	-	-	6,503	-	-	6,503
Postage and delivery	266	-	-	266	-	-	266
Real estate taxes	-	-	-	-	1,299	1,299	1,299
Salaries and benefits	88,376	-	-	88,376	-	-	88,376
	<u>\$ 145,641</u>	<u>\$ 14,884</u>	<u>\$ 11,413</u>	<u>\$ 171,938</u>	<u>\$ 39,306</u>	<u>\$ 39,306</u>	<u>\$ 211,244</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, 2011. As of December 31, 2011 and 2010, the balance on deposit at a single financial institution was \$865,147 and \$1,095,118, 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, 2011, and December 31, 2010:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 498,608	\$ 141,086
Receivable in one to five years	139,190	195,125
Receivable in more than five years	<u>500</u>	<u>-</u>
Total unconditional promises to give	638,298	336,211
Discount to net present value	<u>(14,571)</u>	<u>(21,374)</u>
 Net Pledges receivable	 <u>\$ 623,727</u>	 <u>\$ 314,837</u>

Long-term pledges are recognized at fair value, using present value techniques and discount rates that ranged from 2.49% to 1.19%, depending on the stated or anticipated length of the pledge.

NOTE 3: CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Nondepreciable:		
Construction in Progress	\$ 1,179,443	\$ 1,068,774
Land	<u>343,700</u>	<u>343,700</u>
Total	<u>\$ 1,523,143</u>	<u>\$ 1,412,474</u>

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

NOTE 3: CAPITAL ASSETS (continued)

	<u>2011</u>	<u>2010</u>
Depreciable:		
Buildings and Improvements	\$ -	\$ -
Office equipment	3,791	\$ 3,791
Less Accumulated Depreciation	<u>(1,490)</u>	<u>(732)</u>
Total	<u>\$ 2,301</u>	<u>\$ 3,059</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>2011</u>	<u>2010</u>
Opening balance, temporarily restricted net assets	\$ 905,638	\$ 960,522
Add restricted grant to building fund	330,000	-
Add restricted workforce development grant	50,000	-
Add restricted contribution for reader program	-	15,798
Add restricted contribution for literature program	272	16,000
Add grant for Salary support	-	12,500
Amortized discount of grant income	-	2,929
Subtotal	<u>1,285,910</u>	<u>1,007,749</u>
Approved grant expenditures-capital expenditures		
Demolition	-	-
Capitalized construction costs	(132,414)	(43,289)
Champion Reader transfer	(6,386)	-
Literature program cost	(376)	-
Capital campaign costs	<u>(8,446)</u>	<u>(58,822)</u>
Ending balance, temporarily restricted net assets	<u>\$ 1,138,288</u>	<u>\$ 905,638</u>

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

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS (continued)

As of December 31, 2011 and 2010, temporarily restricted net assets are composed of the following components:

	Restricted Balance 12/31/11	Restricted Balance 12/31/10
Capacity Fund	\$ -	\$ -
Capital Campaign	-	8,446
Construction Fund	1,087,277	889,691
Workforce Development Fu	50,000	-
Literature Fund	1,011	1,115
Champion Reader Fund	-	6,386
	<u>\$ 1,138,288</u>	<u>\$ 905,638</u>

The Foundation was awarded a grant from a trust in March of 2011 for \$25,000, which will be paid when construction begins on the new library.

The Foundation was awarded a grant from a private foundation in November of 2011 for \$300,000 which requires matching funds to be raised. The matching requirement had been met by May 2012. The funds are to be paid when actual construction has begun.

The Foundation was awarded a grant from a national bank in November of 2011 for \$50,000 which is to be used for Work Force Development. The Foundation is simply a conduit as the final disbursement of funds will be made by the Petersburg Library System. This grant was paid to the Foundation in 2011.

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 2011 there were no stock transactions.

NOTE 6: OTHER INCOME

Historically, the Foundation assisted with a festival to promote reading and literacy in Petersburg. This event was not held in 2011. This program was funded through donations and fees charged to vendors. Donations for this event in 2010 were \$16,000.

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

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.

NOTE 8: DEBT

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

	<u>12/31/2011</u>	<u>12/31/2010</u>
Roslyn Farm Corp		
0% note payable, due upon maturity, payable on demand (unsecured)	\$ -	\$ 70,702

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 2011 and 2010 were \$3,191 and \$1,200, 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. This note was paid in full on June 2, 2011. The restrictions on this donation to the Champion Reader Program were subsequently released by the donor.

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 \$127,789 in 2011 and \$106,746 in 2010, 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 funds were matched in 2011 and the Mary Morton Parson Foundation paid out its grant in 2011.

Subsequent events were evaluated through the date that the financial statements were available to be issued which was May 16 2012.