

JOHNSON COUNTY LIBRARY FOUNDATION

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2007 AND 2006**

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

JOHNSON COUNTY LIBRARY FOUNDATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS:

 Statement of Financial Position..... 2

 Statement of Activities and Changes in Net Assets 3

 Statement of Net Assets..... 4

 Statement of Functional Expenses 5

 Statement of Cash Flows 7

 Notes to Financial Statements 8

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson County Library Foundation

We have audited the accompanying statement of financial position of the Johnson County Library Foundation (a not-for-profit corporation), as of December 31, 2007 and 2006, and the related statements of activities, net assets, functional expenses, and cash flows for the years 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 audits 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide 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 Johnson County Library Foundation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harrisonville, Missouri
July 15, 2008

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,247	\$ 75,015
Unconditional promises to give	89,770	121,000
Investments	<u>1,174,646</u>	<u>953,918</u>
Total current assets	<u>1,298,663</u>	<u>1,149,933</u>
LONG-TERM PROMISES TO GIVE	<u>131,370</u>	<u>319,958</u>
	<u>\$ 1,430,033</u>	<u>\$ 1,469,891</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES, Accounts payable	\$ 4,523	\$ 4,361
NET ASSETS:		
Unrestricted (net assets not subject to donor restrictions)	1,425,510	1,460,530
Temporarily restricted	<u>-</u>	<u>5,000</u>
Total net assets	<u>1,425,510</u>	<u>1,465,530</u>
	<u>\$ 1,430,033</u>	<u>\$ 1,469,891</u>

See accompanying notes.

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS:		
Support:		
Contributions	\$ 77,703	\$ 279,130
Investment returns	82,858	95,057
Bank interest	3,341	4,290
Special events	30,559	17,625
Other	<u>240</u>	<u>1,340</u>
Total support	<u>194,701</u>	<u>397,442</u>
Net assets spent according to donor restrictions	<u>60,000</u>	<u>131,263</u>
	<u>254,701</u>	<u>528,705</u>
EXPENSES:		
Program services	75,448	139,277
Fundraising	95,980	163,020
Management and general	<u>118,293</u>	<u>97,736</u>
Total expenses	<u>289,721</u>	<u>400,033</u>
Increase (decrease) in unrestricted net assets	(35,020)	128,672
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	55,000	120,763
Net assets spent according to donor restrictions	<u>(60,000)</u>	<u>(131,263)</u>
Increase (decrease) in temporarily restricted net assets	<u>(5,000)</u>	<u>(10,500)</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	(40,020)	118,172
NET ASSETS, Beginning of year	<u>1,465,530</u>	<u>1,347,358</u>
NET ASSETS, End of year	<u>\$ 1,425,510</u>	<u>\$ 1,465,530</u>

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION

**STATEMENT OF NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Unrestricted	Temporarily Restricted	Total
NET ASSETS, December 31, 2005	\$ 1,331,858	\$ 15,500	\$ 1,347,358
Increase (decrease) in net assets	128,672	(10,500)	118,172
NET ASSETS, December 31, 2006	1,460,530	5,000	1,465,530
Increase (decrease) in net assets	(35,020)	(5,000)	(40,020)
NET ASSETS, December 31, 2007	\$ 1,425,510	\$ -	\$ 1,425,510

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services	Management and General	Fundraising	Total Expenses
Donations to Johnson County Library Programs	\$ 68,763	\$ -	\$ -	\$ 68,763
Donations to New Orleans Library	6,685	-	-	6,685
Salaries	-	48,093	30,128	78,221
Bank and credit card charges	-	1,098	-	1,098
Investment fees	-	8,112	-	8,112
Other fees	-	5,997	-	5,997
Other contracted services	-	2,047	6,787	8,834
Insurance	-	1,532	-	1,532
Professional fees	-	4,300	-	4,300
Professional development	-	14,042	-	14,042
Miscellaneous	-	6,992	-	6,992
Other campaign expenses	-	-	240	240
Postage and shipping	-	3,849	6,033	9,882
Printing and supplies	-	4,447	11,361	15,808
Rent	-	17,784	-	17,784
Fundraising event expenses	-	-	40,701	40,701
Other fundraising expenses	-	-	730	730
	\$ 75,448	\$ 118,293	\$ 95,980	\$ 289,721

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services	Management and General	Fundraising	Total Expenses
Donations to Johnson County Library Programs	\$ 134,277	\$ -	\$ -	\$ 134,277
Donations to New Orleans Library	5,000	-	-	5,000
Salaries	-	40,588	35,548	76,136
Advertising	-	-	7,038	7,038
Fundraising contracted services	-	-	12,375	12,375
Bank and credit card charges	-	1,090	-	1,090
Investment fees	-	6,144	-	6,144
Other fees	-	5,158	7,417	12,575
Marketing	-	-	27,850	27,850
Other contracted services	-	710	8,810	9,520
Insurance	-	1,033	-	1,033
Professional fees	-	4,000	-	4,000
Professional development	-	2,131	-	2,131
Miscellaneous	-	2,225	1,305	3,530
Other campaign expenses	-	-	6,536	6,536
Postage and shipping	-	2,551	6,270	8,821
Printing and supplies	-	7,914	28,427	36,341
Rent	-	24,192	-	24,192
Donor relations	-	-	4,934	4,934
Fundraising event expenses	-	-	14,847	14,847
Other fundraising expenses	-	-	1,663	1,663
	<u>\$ 139,277</u>	<u>\$ 97,736</u>	<u>\$ 163,020</u>	<u>\$ 400,033</u>

See accompanying notes.

**JOHNSON COUNTY LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ (40,020)	\$ 118,172
Donations to Johnson County Library Programs, Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in assets, unconditional promises to give	219,818	136,162
Increase in operating liabilities, accounts payable	162	2,530
Total adjustments	219,980	138,692
Net cash used by operating activities	179,960	256,864
CASH FLOWS FROM INVESTING ACTIVITIES,		
Net additions to investments	(220,728)	(348,786)
NET INCREASE IN CASH	(40,768)	(91,922)
CASH, Beginning of year	75,015	166,937
CASH, End of year	\$ 34,247	\$ 75,015

See accompanying notes.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Organization: The Johnson County Library Foundation (the Foundation), is a not-for-profit corporation whose basic purpose is to assist in the continued growth, enhancement, and development of library collections of the Johnson County Library. This includes the establishment and maintenance of an endowment fund, and to encourage and solicit private philanthropic support. The Foundation's support comes primarily from individual donors, various foundations, and corporations.

The Johnson County Library Foundation is a 501(c)(3) organization and is exempt from income tax under section 501(a) of the Internal Revenue Code.

- B. Basis of Accounting: The Foundation's policy is to prepare its financial statements on the accrual basis of accounting, in which revenues and expenditures are reflected in the accounts in the period in which they are considered to be earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt, payment of cash, or its equivalent.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net assets categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

- C. Cash and Cash Equivalents: For the statement of financial position and statement of cash flows, cash and cash equivalents are defined as all monies in checking, savings, money market accounts, and certificates of deposit.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Promises to Give: Unconditional promises to give are recorded as received. Unconditional promises to give 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. The majority of the promises to give are from individuals, foundations, and corporations as a result of the Foundation's enrichment campaign. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.
- E. Investments: Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains and losses are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.
- F. Donations-In-Kind: Material donations-in-kind received by the Foundation are recorded as income along with a corresponding charge to expense. The material in-kind donations received during the year were donated salaries and rent.
- The Foundation also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts for these donated services have been recognized in the statement of activities because the criteria for recognitions under SFAS No. 116 have not been satisfied.
- G. Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. Promises to give are recognized as income when the promise is received.
- H. Income Taxes: The Foundation is exempt from income tax under Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes is included in these financial statements.
- I. Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- J. Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and other activities benefited.

2. INVESTMENTS:

The Foundation invests its funds in the Greater Kansas City Community Foundation. The Greater Kansas City Community Foundation manages the assets and maintains separate accounts for each participating entity. Assets of participants may be invested in equities, fixed income, and cash equivalent securities. Investments with the Greater Kansas City Community Foundation at December 31, 2007 and 2006, are \$1,174,646 and \$953,918, respectively. They are stated at fair market value.

Investments at December 31, 2007 and 2006, are comprised of the following:

	<u>2007</u>	<u>2006</u>
Money market portfolio	\$ 3,032	\$ 66,904
Fixed income portfolio	291,079	321,755
Alternative portfolio	180,418	-
Equity portfolio	<u>700,117</u>	<u>565,259</u>
	<u>\$1,174,646</u>	<u>\$ 953,918</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 27,703	\$ 24,942
Net realized and unrealized gains	<u>55,155</u>	<u>70,115</u>
	<u>\$ 82,858</u>	<u>\$ 95,057</u>

Investment fees paid to the Greater Kansas City Community Foundation for the year ended December 31, 2007 and 2006, amounted to \$8,112 and \$6,144, respectively.

JOHNSON COUNTY LIBRARY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE:

Unconditional promises to give at December 31, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Receivables in less than one year	\$ 103,070	\$ 121,000
Receivables in one to five years	<u>131,370</u>	<u>354,958</u>
Total unconditional promises to give	<u>234,440</u>	<u>475,958</u>
Less allowance for uncollectible promises	(4,000)	(20,800)
Less discounts to net present value	<u>(9,300)</u>	<u>(14,200)</u>
Net unconditional promises to give	<u>\$ 221,140</u>	<u>\$ 440,958</u>

The discount rate used to discount long-term promises to give was 4% at December 31, 2007 and 2006.

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at December 31, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Technology	<u>\$ -</u>	<u>\$ 5,000</u>

5. CONCENTRATION OF CREDIT RISK:

The Foundation maintains bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. All of the deposits were covered by FDIC insurance at December 31, 2007 and 2006.