

Cupertino Library Foundation, Inc.
Audited Financial Statements
For the Year Ended December 31, 2007

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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, 2007, 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 2006 financial statements and, in our report dated March 23, 2007, 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, 2007, 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
June 17, 2008

Cupertino Library Foundation
Statement of Financial Position
December 31, 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>	<u>Memo 2006</u>
ASSETS				
Cash	\$232,829		\$232,829	\$144,792
Investments	209,043	\$1,398,425	1,607,468	1,650,023
TOTAL ASSETS	\$441,872	\$1,398,425	\$1,840,297	\$1,794,815
NET ASSETS				
Net Assets	441,872	\$1,398,425	\$1,840,297	\$1,794,815
TOTAL LIABILITIES & NET ASSETS	\$441,872	\$1,398,425	\$1,840,297	\$1,794,815

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

Cupertino Library Foundation
Statement of Activities
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>	<u>Memo 2006</u>
REVENUE					
Donations	\$4,321			\$4,321	\$48,257
In-kind donations					\$1,840
Bookbag sales	80			80	77
Special events					43,170
Investment income	<u>133,554</u>			<u>133,554</u>	<u>175,490</u>
Subtotal revenue	<u>137,955</u>			<u>137,955</u>	<u>268,834</u>
Net asset changes in restrictions					
Donor restrictions met	<u>36,602</u>	<u>(36,602)</u>			
Total Revenue	<u>174,557</u>	<u>(36,602)</u>		<u>137,955</u>	<u>268,834</u>
EXPENSES					
Library program support	85,276			85,276	93,400
Management & general	7,034			7,034	5,749
Fund raising	<u>163</u>			<u>163</u>	<u>11,038</u>
Total expenses	<u>92,473</u>			<u>92,473</u>	<u>110,187</u>
Increase (decrease) in Net Assets	<u>82,084</u>	<u>(36,602)</u>		<u>45,482</u>	<u>158,647</u>
Net Assets beginning of the year	<u>359,788</u>	<u>36,602</u>	<u>1,398,425</u>	<u>1,794,815</u>	<u>1,636,168</u>
Net Assets end of the year	<u><u>\$441,872</u></u>	<u><u>\$0</u></u>	<u><u>\$1,398,425</u></u>	<u><u>\$1,840,297</u></u>	<u><u>\$1,794,815</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, 2007

Expense	Program Services	Support Services		2007	2006
	Library Support	Management & General	Fund Raising	Total	Memo
Dues, fees		\$295		\$295	\$315
Insurance		1,407		1,407	1,407
Library support	\$85,276			85,276	93,400
Meetings		317		317	
Plaque expenses			\$77	77	1,224
Postage & printing		257		257	309
Professional fees		3,600		3,600	3,600
Special events			86	86	9,814
Supplies		1,158		1,158	118
TOTAL	\$85,276	\$7,034	\$163	\$92,473	\$110,187

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

Cupertino Library Foundation
Statement of Cash Flows
For the Year Ended December 31, 2007

	<u>Total 2007</u>	<u>Memo 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase / (decrease) in net assets	\$45,482	\$158,647
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gains) / losses on investments	(11,819)	31,643
(Increase) / decrease in operating assets		
Accounts payable		(1,111)
Deferred revenue		(749)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	<u>33,663</u>	<u>188,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments, less investment redemptions	174,243	
Gains reinvested on investments, less fees & charges	<u>(119,869)</u>	<u>(177,993)</u>
NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES	<u>54,374</u>	<u>(177,993)</u>
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	<u>88,037</u>	<u>10,437</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>144,792</u>	<u>134,355</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$232,829</u></u>	<u><u>\$144,792</u></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, 2007

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 act as a support organization 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 Presentation

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 financial statements to the reader.

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.

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.

Fair Value of Financial Instruments

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

Cash

For purposes of the statement of cash flows, the Foundation considers all cash accounts held in commercial accounts and all money market funds 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, 2006

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 charged direct to their respective 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, 2006, from which the summarized information was obtained.

Investments

The Foundation reports investments in marketable securities with readily determinable fair values and investments in debt securities at their fair values in the statement of financial position. The fair values of investments are determined based on market quotations. Realized gains and losses on the sale of securities are determined on the specific identification method. Income earned, and realized and unrealized gains and losses on investment transactions are included as unrestricted income in the year earned.

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.

NOTE B - INVESTMENTS

Investments consist of Common Stocks, Government Bonds, and Corporate Bonds and are reported in the Statement of Financial Position at fair market value. Total investments at December 31, 2007 are \$1,607,468, of which \$1,398,425 is maintained in perpetuity and reported as permanently restricted. The components of investment income are as follows:

Unrealized gains	\$11,819
Realized gains	67,974
Investment fees	(16,563)
Interest / dividends	68,458
Subtotal	<u>\$131,688</u>
Interest on cash accounts	<u>1,866</u>
Total	<u>\$133,554</u>

Cupertino Library Foundation
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE C – PERMANENTLY RESTRICTED DONATIONS

The Foundation is a beneficiary of a testamentary endowment and received \$1,398,425 with the donor stipulation that the principal be maintained in perpetuity and income earned be used for unrestricted purposes. The Foundation has invested the principal in securities managed by Salomon Smith Barney.

NOTE D – TEMPORARILY RESTRICTED DONATIONS

During the year ended December 31, 2007, the Foundation did not receive any temporarily restricted donations. The foundation released \$36,602 restricted net assets as expenditures were incurred, fulfilling donor obligations. Temporary restricted net assets at December 31, 2007 is \$0.