

**Fairfax County Public Library
Foundation, Inc.**
(a not-for-profit corporation)

**Financial Statements
for the years ended June 30, 2008 and 2007**

Fairfax County Public Library Foundation, Inc.

Financial Statements
for the years ended June 30, 2008 and 2007

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KOSITZKA, WICKS ● COMPANY
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Fairfax County Public Library Foundation, Inc.
Fairfax, Virginia

We have audited the statements of financial position of **Fairfax County Public Library Foundation, Inc.** (a not-for-profit corporation) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the **Fairfax County Public Library Foundation, Inc.**'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 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 **Fairfax County Public Library Foundation, Inc.** as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
November 5, 2008

Fairfax County Public Library Foundation, Inc.

Statements of Financial Position June 30,

2008

2007

Assets

Current Assets

Cash and cash equivalents	\$ 899,524	\$ 626,621
Pledges receivable	94,163	134,806
Prepaid expenses and other assets	7,995	3,670
Total Current Assets	<u>1,001,682</u>	<u>765,097</u>

Investments

2,313,497

2,567,407

Property and Equipment

Furniture and fixtures	3,240	3,240
Computer equipment and software	13,824	13,824
Less: Accumulated depreciation	(12,433)	(8,092)
Total Property and Equipment, net	<u>4,631</u>	<u>8,972</u>

Total Assets

\$ 3,319,810

\$ 3,341,476

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 23,577</u>	<u>\$ 9,815</u>
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Net Assets

Unrestricted	1,262,807	1,401,673
Temporarily restricted	657,507	622,537
Permanently restricted	1,375,919	1,307,451
Total Net Assets	<u>3,296,233</u>	<u>3,331,661</u>
Total Liabilities and Net Assets	<u>\$ 3,319,810</u>	<u>\$ 3,341,476</u>

The accompanying Independent Auditor's Report and Notes are an integral part of the Financial Statements.

Fairfax County Public Library Foundation, Inc.

Statement of Activities for the year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions	\$ 129,087	\$ 282,798	\$ 68,468	\$ 480,353
In-kind contributions	287,197	59,289	-	346,486
Investment income	(85,343)	-	-	(85,343)
Net assets released from restrictions	307,117	(307,117)	-	-
Total Revenue	<u>638,058</u>	<u>34,970</u>	<u>68,468</u>	<u>741,496</u>
Expenses				
Program services	523,812	-	-	523,812
Management and general	129,578	-	-	129,578
Fundraising	123,534	-	-	123,534
Total Expenses	<u>776,924</u>	<u>-</u>	<u>-</u>	<u>776,924</u>
Change in Net Assets	(138,866)	34,970	68,468	(35,428)
Net Assets, beginning of year	<u>1,401,673</u>	<u>622,537</u>	<u>1,307,451</u>	<u>3,331,661</u>
Net Assets, end of year	<u><u>\$ 1,262,807</u></u>	<u><u>\$ 657,507</u></u>	<u><u>\$ 1,375,919</u></u>	<u><u>\$ 3,296,233</u></u>

The accompanying Independent Auditor's Report and Notes are an integral part of the Financial Statements.

Fairfax County Public Library Foundation, Inc.

Statement of Activities for the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions	\$ 315,537	\$ 199,387	\$ 46,328	\$ 561,252
In-kind contributions	265,829	13,884	-	279,713
Investment income	301,396	-	-	301,396
Net assets released from restrictions	262,402	(262,402)	-	-
Total Revenue	<u>1,145,164</u>	<u>(49,131)</u>	<u>46,328</u>	<u>1,142,361</u>
Expenses				
Program services	395,207	-	-	395,207
Management and general	113,788	-	-	113,788
Fundraising	105,565	-	-	105,565
Total Expenses	<u>614,560</u>	<u>-</u>	<u>-</u>	<u>614,560</u>
Change in Net Assets	530,604	(49,131)	46,328	527,801
Net Assets, beginning of year	<u>871,069</u>	<u>671,668</u>	<u>1,261,123</u>	<u>2,803,860</u>
Net Assets, end of year	<u>\$ 1,401,673</u>	<u>\$ 622,537</u>	<u>\$ 1,307,451</u>	<u>\$ 3,331,661</u>

The accompanying Independent Auditor's Report and Notes are an integral part of the Financial Statements.

Fairfax County Public Library Foundation, Inc.

Statements of Cash Flows for the years ended June 30,

2008

2007

Cash flows from operating activities

Change in net assets	\$ (35,428)	\$ 527,801
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	4,341	4,300
Unrealized and realized gain on investments	178,041	(215,600)
(Increase) decrease in operating assets		
Pledges receivable	40,643	1,603
Prepaid expenses and other	(4,325)	(84)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	13,762	1,035
Net cash provided by operating activities	<u>197,034</u>	<u>319,055</u>

Cash flows from investing activities

Proceeds from sale of investments	2,041,813	451,498
Purchase of investments	(1,965,944)	(417,549)
Purchase of property and equipment	-	(11,824)
Net cash provided by investing activities	<u>75,869</u>	<u>22,125</u>

Net increase in cash and cash equivalents

272,903 341,180

Cash and cash equivalents, beginning of year

626,621 285,441

Cash and cash equivalents, end of year

\$ 899,524 \$ 626,621

Supplemental disclosure of cash flow information

Cash paid for interest	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying Independent Auditor's Report and Notes are an integral part of the Financial Statements.

Fairfax County Public Library Foundation, Inc.

Notes to Financial Statements June 30, 2008 and 2007

1. Organization and Purpose

Fairfax County Public Library Foundation, Inc. (the Foundation), a not-for-profit corporation, was established in 1994 to provide supplementary support to the Fairfax County Public Library. The Foundation is supported primarily through donor and in-kind contributions. Grants awarded are to libraries within the Fairfax County Library system.

2. Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting.

All contributions with donor-imposed restrictions are recognized as temporarily or permanently restricted support that increases those net asset classes. When temporary restrictions are met, the contributions are transferred to unrestricted support. Contributions with no donor-imposed restrictions are recognized immediately as unrestricted support.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Short-term, highly liquid investments with an original maturity of three months or less, consisting of money market funds, are considered to be cash equivalents. In the normal course of business, the Foundation may maintain cash held at financial institutions in excess of the insured limit of \$100,000. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. For purposes of the statements of cash flows, cash and cash equivalents designated by the Board for long-term investments have been excluded from cash and cash equivalents on the statements of financial position.

Investments

Marketable equity securities (mutual funds) and marketable debt securities (U.S. Treasury bills and notes and mortgage-backed securities) are recorded at fair value, based on quoted market prices. Changes in the carrying value of securities are reflected as unrealized gains or losses in the statements of activities in the year of change.

See Independent Auditor's Report

Fairfax County Public Library Foundation, Inc.

Notes to Financial Statements June 30, 2008 and 2007

2. Significant Accounting Policies (Continued)

Depreciation

It is the Foundation's policy to capitalize property and equipment over \$500. Property and equipment are carried at cost or estimated fair market value, if donated. Equipment is depreciated using the straight-line method over estimated lives of three to five years. Depreciation expense for the years ended June 30, 2008 and 2007 was \$4,341 and \$4,300, respectively.

Maintenance and repair of equipment are expensed currently and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in the statements of activities.

Donated Services and Facilities

In-kind contributions from the Fairfax County Public Library for all salaries and benefits have been recorded under expenses relating to program services, management and general and fundraising at fair value. The Foundation receives rent-free use of office space from Fairfax County, Virginia. No in-kind contribution is recorded since there is no reliable basis for measurement. Donated property is reflected as revenue at the fair market value of the property on date of donation. Other donated services received by the Foundation are recorded at fair value. Donations in kind are detailed at Note 5 of these financial statements.

Functional Allocation of Expenses

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

Income Taxes

The Foundation is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. For the years ended June 30, 2008 and 2007, the Foundation did not have any "unrelated business income" subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

See Independent Auditor's Report

Fairfax County Public Library Foundation, Inc.

Notes to Financial Statements June 30, 2008 and 2007

3. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Interest checking	\$ 492,300	\$ 454,363
Savings	71,267	-
Certificates of deposit	-	67,649
Money market funds	335,957	104,609
	<u>\$ 899,524</u>	<u>\$ 626,621</u>

Amount covered by Federal Deposit Insurance Corporation (FDIC) at \$100,000 limit	<u>\$ 271,267</u>	<u>\$ 267,649</u>
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Effective October 3, 2008, the basic limit on federal deposit insurance coverage was temporarily raised from \$100,000 to \$250,000 per depositor. The legislation provides the limit to return to \$100,000 after December 31, 2009.

4. Investments

The fair value of securities held at June 30, 2008 and 2007, was as follows:

	<u>2008</u>	<u>2007</u>
Equities and mutual funds	\$ 2,067,753	\$ 1,395,355
U.S. Treasury bills and notes	-	174,922
Certificates of deposits and money market funds	93,656	380,620
Mortgage-backed securities	152,088	616,510
Fair value per statements of financial position	<u>\$ 2,313,497</u>	<u>\$ 2,567,407</u>

Investment income (loss) for the years ended June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Realized gains (losses) on investments sold	\$ 2,458	\$ 9,790
Unrealized gains (losses)	(180,499)	205,810
Interest and dividend income	92,698	85,796
	<u>\$ (85,343)</u>	<u>\$ 301,396</u>

Investment fees of \$16,086 and \$8,462 were paid for the years ended June 30, 2008 and 2007, respectively.

See Independent Auditor's Report

Fairfax County Public Library Foundation, Inc.

Notes to Financial Statements June 30, 2008 and 2007

5. In-Kind Contributions

In-kind contributions for the years ended June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 275,939	\$ 263,998
Equipment and furnishings	30,472	200
Books	8,780	13,193
Computer equipment	-	250
Donor cultivation	1,075	50
Training	-	1,500
Supplies	100	-
Miscellaneous	120	522
Advertising	30,000	-
	<u>\$ 346,486</u>	<u>\$ 279,713</u>

The Foundation has an agreement with the Fairfax County Public Library whereby the library will provide salaries and benefits as an in-kind contribution. For the years ended June 30, 2008 and 2007, this contribution totaled \$275,939 and \$263,998, respectively.

6. Donor Restrictions

During 1996, the Foundation received a bequest from a trust. This contribution was donor-restricted for the purchase of recorded books. The Board has designated that the principal amount received from this bequest be held as a permanent endowment fund. Only the investment income will be spent for the donor-restricted purpose. At June 30, 2008 and 2007, the donor-restricted amount was \$549,577 and \$584,231, respectively (Note 7).

The New Century Library Fund (NCLF) Campaign was established in fiscal year 2001 to enhance the services and resources of the Fairfax County Public Library in the 21st century. Donations may be given as a permanent endowment or may be directed within one of four areas: books, the virtual library, community programs or the Friends Scholarship Fund. For the years ended June 30, 2008 and 2007, the Campaign received \$68,468 and \$46,328 respectively, for the permanent endowment.

On May 24, 2002, a permanent endowment (the Fund) was established by The George Mason Friends, Inc., for the intended purpose of supporting the Children's Reading Program (the Program) of the Fairfax County Public Library. The Friends will continue to contribute to the Fund until a principal balance of \$500,000 is reached, at which time it is anticipated that, annually, \$25,000 of earnings on the endowment will be expended for the Program. Accumulated contributions to the Fund totaled \$450,010 as of June 30, 2008.

See Independent Auditor's Report

Fairfax County Public Library Foundation, Inc.

Notes to Financial Statements June 30, 2008 and 2007

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2008</u>	<u>2007</u>
Program Activities:		
Purchase of recorded books (Note 5)	\$ 549,577	\$ 584,231
Operation grants and future programs	<u>107,930</u>	<u>38,306</u>
Total temporarily restricted net assets	<u>\$ 657,507</u>	<u>\$ 622,537</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2008</u>	<u>2007</u>
Purpose restriction accomplished:		
Grants to county libraries	\$ 67,619	\$ 243,928
Operation grant expenditures	<u>239,498</u>	<u>18,474</u>
Total net assets released from restrictions	<u>\$ 307,117</u>	<u>\$ 262,402</u>

8. Permanently Restricted Net Assets

Permanently restricted net assets included the following:

	<u>Balance 2007</u>	<u>Contributions</u>	<u>Balance 2008</u>
New Century Library Fund	\$ 796,534	\$ 68,468	\$ 865,002
George Mason Friends	500,000	-	500,000
Other	<u>10,917</u>	<u>-</u>	<u>10,917</u>
	<u>\$ 1,307,451</u>	<u>\$ 68,468</u>	<u>\$ 1,375,919</u>

See Independent Auditor's Report

Additional Information



KOSITZKA, WICKS & COMPANY
Certified Public Accountants

**Independent Auditor's Report
on Additional Information**

To the Board of Directors
Fairfax County Public Library Foundation, Inc.
Fairfax, Virginia

The basic financial statements of **Fairfax County Public Library Foundation, Inc.** for the years ended June 30, 2008 and 2007, and the report of our audits thereon, are presented in the preceding section of this report. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying schedules of functional expenses for the years ended June 30, 2008 and 2007, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2008 and 2007, taken as a whole.

Kositzka, Wicks and Company

Alexandria, Virginia
November 5, 2008

Fairfax County Public Library Foundation, Inc.

Schedule of Functional Expenses for the year ended June 30, 2008

	Program Expenses	Management and General	Fundraising	Total
Program benefits awarded	\$ 298,299	\$ -	\$ 195	\$ 298,494
Salaries and benefits	94,997	90,471	90,471	275,939
Contract staff	55,873	8,545	3,630	68,048
Graphics and printing	12,266	5,913	1,507	19,686
Fees and other charges	9,645	694	6,441	16,780
Advertising	20,000	-	10,000	30,000
Accounting service	-	8,500	-	8,500
Office supplies and expense	832	927	9	1,768
Depreciation	1,447	1,447	1,447	4,341
Computer maintenance and supplies	1,204	1,279	5,651	8,134
Meetings and recruitment	801	1,384	31	2,216
Dues and membership	-	350	500	850
Donor cultivation	1,075	-	193	1,268
Training	-	1,525	1,624	3,149
Travel and transportation	15,463	265	405	16,133
Postage	250	5,415	980	6,645
Insurance	233	1,354	-	1,587
Licenses and permits	15	35	450	500
Telephone	237	840	-	1,077
Other	627	634	-	1,261
Donated materials	10,548	-	-	10,548
Total Functional Expenses	\$ 523,812	\$ 129,578	\$ 123,534	\$ 776,924

See Independent Auditor's Report on Additional Information.

Fairfax County Public Library Foundation, Inc.

Schedule of Functional Expenses for the year ended June 30, 2007

	Program Expenses	Management and General	Fundraising	Total
Program benefits awarded	\$ 245,698	\$ -	\$ 992	\$ 246,690
Salaries and benefits	93,749	88,000	86,000	267,749
Graphics and printing	20,136	6,750	7,439	34,325
Fees and other charges	5,291	558	3,298	9,147
Advertising	11,002	-	-	11,002
Accounting service	-	8,000	-	8,000
Office supplies and expense	755	929	-	1,684
Depreciation	1,434	1,433	1,433	4,300
Computer maintenance and supplies	1,422	422	1,734	3,578
Meetings and recruitment	1,208	1,179	49	2,436
Dues and membership	-	275	515	790
Donor cultivation	150	-	218	368
Training	-	1,786	-	1,786
Travel	15	65	15	95
Postage	265	3,427	3,872	7,564
Insurance	-	2,031	-	2,031
Licenses and permits	30	275	-	305
Telephone	-	928	-	928
Other	409	(2,270)	-	(1,861)
Donated materials	13,643	-	-	13,643
Total Functional Expenses	<u>\$ 395,207</u>	<u>\$ 113,788</u>	<u>\$ 105,565</u>	<u>\$ 614,560</u>

See Independent Auditor's Report on Additional Information.