# CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
# (A Non-Profit Corporation)

Independent Auditors' Report
Financial Statements

June 30, 2013 and 2012

# CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

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# Independent Auditors' Report

To the Board of Directors of
Cedar Rapids Public Library Foundation
Cedar Rapids, Iowa

## Report on the Financial Statements

We have audited the accompanying financial statements of Cedar Rapids Public Library Foundation (a Non-Profit Corporation) as of and for the years ended June 30, 2013 and 2012, which comprise the financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Rapids Public Library Foundation, as of June 30, 2013 and 2012, 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.

*TD&T Financial Group, P.C.*

Oskaloosa, Iowa
October 31, 2013

# CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

## Statements of Financial Position
June 30, 2013 and 2012

| | | 2013 | 2012 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ | 156,252 | 476,051 |
| Promises to give, net of allowance of $22,952 and $35,462 as of June 30, 2013 and 2012, respectively | | 2,212,428 | 3,383,838 |
| Accounts receivable - other | | 1,882 | - |
| Bequests receivable | | - | 812,767 |
| Investments | | 7,934,630 | 6,244,680 |
| Prepaid expenses | | 3,704 | 4,754 |
| Equipment, less accumulated depreciation of $9,729 in 2013 and $7,822 in 2012 | | 1,828 | 2,410 |
| Beneficial interest in assets held by Community Foundation | | 11,574 | 9,978 |
| Total assets | $ | 10,322,298 | 10,934,478 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Accounts payable | $ | 13,872 | 10,287 |
| Funds held for Cedar Rapids Public Library | | - | 76,771 |
| Accrued payroll liability | | 16,302 | 14,135 |
| Total current liabilities | | 30,174 | 101,193 |
| Net assets: | | | |
| Unrestricted net assets | | 2,575,263 | 2,465,261 |
| Temporarily restricted net assets | | 7,138,992 | 7,855,576 |
| Permanently restricted net assets | | 577,869 | 512,448 |
| Total net assets | | 10,292,124 | 10,833,285 |
| Total liabilities and net assets | $ | 10,322,298 | 10,934,478 |

See accompanying notes to financial statements.

CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

Statements of Support, Revenue, Functional Expenses
and Changes in Net Assets
For the Years Ended June 30, 2013 and 2012

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, gains, and public support: | | | | | | | | |
| Contributions | $ 38,498 | 278,581 | 1,215 | 318,294 | 26,246 | 1,085,792 | - | 1,112,038 |
| Bequests | 860 | 36,500 | 64,206 | 101,566 | 362,767 | 839,677 | 2,858 | 1,205,302 |
| Investment revenue, net of investment expense of $55,384 in 2013 and $30,894 in 2012 | 129,489 | 18,815 | - | 148,304 | 85,958 | 12,438 | - | 98,396 |
| Net realized and unrealized gain (loss) on investments | 146,810 | 54,870 | - | 201,680 | (149,239) | (29,253) | - | (178,492) |
| Net change in beneficial interest in assets held by Community Foundation | 1,596 | - | - | 1,596 | (147) | - | - | (147) |
| Net assets released from restrictions | 1,105,350 | (1,105,350) | - | - | 304,895 | (304,895) | - | - |
| Total revenues, gains and public support | 1,422,603 | (716,584) | 65,421 | 771,440 | 630,480 | 1,603,759 | 2,858 | 2,237,097 |
| Expenses: | | | | | | | | |
| Program: | | | | | | | | |
| Charitable donations to the Cedar Rapids Public Library for the purposes of: | | | | | | | | |
| Payroll expenses | 35,578 | - | - | 35,578 | - | - | - | - |
| Books and materials | 16,688 | - | - | 16,688 | 66,736 | - | - | 66,736 |
| Children's services | 5,337 | - | - | 5,337 | 11,555 | - | - | 11,555 |
| Technology | - | - | - | - | 541 | - | - | 541 |
| Program and event support | 43,361 | - | - | 43,361 | 42,926 | - | - | 42,926 |
| Staff enrichment, appreciation, and training | 17,806 | - | - | 17,806 | - | - | - | - |
| Advocacy | 76 | - | - | 76 | 8,000 | - | - | 8,000 |
| Ladd library project | 1,016,094 | | | 1,016,094 | - | - | - | - |
| Downtown library project | 18,392 | - | - | 18,392 | - | - | - | - |
| Total program expenses | 1,153,332 | - | - | 1,153,332 | 129,758 | - | - | 129,758 |
| Supporting activities: | | | | | | | | |
| Management and general: | | | | | | | | |
| Payroll expenses | 48,813 | - | - | 48,813 | 30,028 | - | - | 30,028 |
| Bad debt expense (recoveries) | (8,828) | - | - | (8,828) | (10,490) | - | - | (10,490) |
| Professional fees | 32,110 | - | - | 32,110 | 28,900 | - | - | 28,900 |
| Other | 12,535 | - | - | 12,535 | 13,531 | - | - | 13,531 |
| Depreciation and amortization | 1,907 | - | - | 1,907 | 2,120 | - | - | 2,120 |
| Total management and general | 86,537 | - | - | 86,537 | 64,089 | - | - | 64,089 |

(continued)

See accompanying notes to financial statements.

CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

Statements of Support, Revenue, Functional Expenses
and Changes in Net Assets (Continued)
For the Years Ended June 30, 2013 and 2012

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Expenses (continued): | | | | | | | | |
| Supporting activities (continued): | | | | | | | | |
| Fundraising: | | | | | | | | |
| Capital campaign | 10,419 | - | - | 10,419 | 86,818 | - | - | 86,818 |
| Payroll expenses | 47,437 | - | - | 47,437 | 97,433 | - | - | 97,433 |
| Marketing | 4,462 | - | - | 4,462 | 11,396 | - | - | 11,396 |
| Miscellaneous | 10,414 | - | - | 10,414 | 21,042 | - | - | 21,042 |
| Total fundraising | 72,732 | - | - | 72,732 | 216,689 | - | - | 216,689 |
| Total supporting activities | 159,269 | - | - | 159,269 | 280,778 | - | - | 280,778 |
| Total expenses | 1,312,601 | - | - | 1,312,601 | 410,536 | - | - | 410,536 |
| Change in net assets | 110,002 | (716,584) | 65,421 | (541,161) | 219,944 | 1,603,759 | 2,858 | 1,826,561 |
| Net assets at beginning of year | 2,465,261 | 7,855,576 | 512,448 | 10,833,285 | 2,245,317 | 6,251,817 | 509,590 | 9,006,724 |
| Net assets at end of year | $ 2,575,263 | 7,138,992 | 577,869 | 10,292,124 | 2,465,261 | 7,855,576 | 512,448 | 10,833,285 |

See accompanying notes to financial statements.

# CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

## Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

| | | 2013 | 2012 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Changes in net assets: | | | |
| Unrestricted | $ | 110,002 | 219,944 |
| Temporarily restricted | | (716,584) | 1,603,759 |
| Permanently restricted | | 65,421 | 2,858 |
| Total change in net assets | | (541,161) | 1,826,561 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | | |
| Depreciation and amotization | | 1,907 | 2,120 |
| Interest and dividends reinvested | | (203,688) | (129,289) |
| Change in beneficial interest in assets held by Community Foundation | | (1,596) | 147 |
| Net realized and unrealized (gain) loss on investments | | (201,680) | 178,492 |
| Contributions restricted for investment in permanent endowment | | (65,421) | (2,858) |
| (Increase) decrease in: | | | |
| Unconditional promises to give and grant receivable | | 1,171,410 | 977,243 |
| Accounts receivable - other | | (1,882) | - |
| Bequests receivable | | 812,767 | (812,767) |
| Prepaid expenses | | 1,050 | 2,441 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued liabilities | | 5,752 | 8,891 |
| Net cash flows provided by operating activities | | 977,458 | 2,050,981 |
| Cash flows from investing activities: | | | |
| Purchase of equipment | | (1,325) | - |
| Purchase of investments | | (5,503,916) | (6,237,359) |
| Proceeds from sale of investments | | 4,219,334 | 4,437,700 |
| Net cash flows provided (used) by investing activities | | (1,285,907) | (1,799,659) |
| Cash flows from financing activities: | | | |
| Advance from (repayment to) Cedar Rapids Public Library | | (76,771) | 76,771 |
| Contributions restricted for investment in permanent endowment | | 65,421 | 2,858 |
| Net cash flows provided (used) by financing activities | | (11,350) | 79,629 |
| Net increase (decrease) in cash and cash equivalents | | (319,799) | 330,951 |
| Cash and cash equivalents at beginning of year | | 476,051 | 145,100 |
| Cash and cash equivalents at end of year | $ | 156,252 | 476,051 |

See accompanying notes to financial statements.

# CEDAR RAPIDS PUBLIC LIBRARY FOUNDATION
(A Non-Profit Corporation)

## Notes to Financial Statements
June 30, 2013 and 2012

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of Operations

The Cedar Rapids Public Library Foundation was incorporated in 1986 in the state of Iowa. The Foundation's primary purpose is to enhance the quality of the Cedar Rapids Public Library services to the community by securing resources to support library programs and projects not normally met by public funding. The Foundation's fiscal year ends on June 30. Significant accounting policies followed by the Foundation are presented below.

Use of 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Promises to give are recognized as revenue in the period the pledge is received. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with risks involved. Amortization of the discount is recorded as additional revenue.

Investments

Investments are carried at fair value, determined by quoted market prices, with investment revenue and net realized and unrealized gains and losses reported in the statement of activities as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions.

Equipment

Purchased equipment is recorded at cost while contributed equipment is recorded at estimated fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which range from three to seven years.

(continued)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

*Unrestricted net assets* include all net assets which are neither temporarily or permanently restricted. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated unrestricted funds.

*Temporarily restricted net assets* include contributed net assets for which donor imposed time and purpose restrictions have not been met, and the ultimate purpose of the contribution is not permanently restricted. For donor-restricted endowment funds, the Foundation classifies the portion of the fund in excess of the permanently restricted amount as temporarily restricted until appropriated for expenditure by the Foundation.

*Permanently restricted net assets* include contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

The Foundation records contributions (including promises to give) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time the unconditional promise to give is made. Bequests are recognized as a contribution at the time the probate court declares the will is valid, provided that the bequest is unconditional. Conditional promises to give, where the donor has placed a condition on the gift that the ultimate transfer of the assets or promise to give is contingent on a future and uncertain event, are not recorded as contributions until the condition is met.

(continued)

Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Foundation is not classified as a private foundation. The Foundation files information returns with the U.S. federal jurisdiction. The Foundation has determined that it was not required to record a liability related to uncertain tax position. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2009.

Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of support, revenue, functional expenses and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Date of Management Review

Management has evaluated subsequent events through October 31, 2013, the date which the financial statements were available to be issued.

Note 2 – Promises to Give

Unconditional promises to give consist of the following:

| | 2013 | 2012 |
|---|---|---|
| Restricted for downtown library project and Ladd library project | $ 2,295,157 | 3,546,181 |
| Gross unconditional promises to give | $ 2,295,157 | 3,546,181 |
| Less: Allowance for uncollectible promises to give | ( 22,951) | ( 35,462) |
| Less: Unamortized discount | ( 59,778) | ( 126,881) |
| Net unconditional promises to give | $ 2,212,428 | 3,383,838 |
| Amounts due in: | | |
| Less than one year | $ 891,178 | 1,205,308 |
| One to five years | 1,403,979 | 2,340,873 |
| Less: Allowance for uncollectible promises to give | ( 22,951) | ( 35,462) |
| Less: Unamortized discount | ( 59,778) | ( 126,881) |
| | $ 2,212,428 | 3,383,838 |

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 3%, when the donor makes an unconditional promise to give to the Foundation.

Note 3 – Beneficial Interest in Assets held by a Community Foundation

The Foundation has contributed funds to The Greater Cedar Rapids Community Foundation (Community Foundation) in order to establish a designated agency fund. This fund is administered by the Community Foundation for the benefit of the Foundation. Control over the investment or reinvestment of these funds is exercised exclusively by the Community Foundation. Distributions from the fund are at the discretion of the Foundation's Board. No amounts were distributed to the Foundation from the Community Foundation for the years ended June 30, 2013 and 2012. The designated agency fund balance as of June 30, 2013 and 2012 was $11,574 and $9,978, respectively.

Note 4 – Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)* 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation approaches are reviewed on an ongoing basis by the trustee and revised as necessary based on changing market conditions to ensure values represent a reasonable exit price and that the valuation techniques uses have not changed so as to cause a change in the level used for the basis of fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Equity securities and mutual funds* are securities listed on a national market or exchange and valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end.

(continued)

Note 4 – Fair Value Measurements (Continued)

*Corporate bonds and notes* consisting of corporate and government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type.

*Money market funds* are valued at the net asset value of shares held at year-end.

*Beneficial interest in assets held by Community Foundation* is valued at the pro-rata share of the Community Foundation's investment pool.

*Promises to give* consist of pledges made by donors during the year to be received in the future, and are reported net of discounted cash flows if to be received in more than one year.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2013:

| | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Mutual funds | $ | 7,004,867 | - | - | 7,004,867 |
| Equities | | 355,972 | - | - | 355,972 |
| Cash and money market funds | | 573,791 | - | - | 573,791 |
| Total investments | | 7,934,630 | - | - | 7,934,630 |
| Promises to give | | - | 2,212,428 | - | 2,212,428 |
| Beneficial interest in assets held by Community Foundation | | - | 11,574 | - | 11,574 |
| Total assets | $ | 7,934,630 | 2,224,002 | - | 10,158,632 |

(continued)

Note 4 – Fair Value Measurements (Continued)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2012:

| | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Mutual funds | $ | 4,739,867 | - | - | 4,739,867 |
| Equities | | 300,704 | - | - | 300,704 |
| Corporate bonds and notes | | - | 902,066 | - | 902,066 |
| Cash and money market funds | | 302,043 | - | - | 302,043 |
| Total investments | | 5,342,614 | 902,066 | - | 6,244,680 |
| Promises to give | | - | 3,383,838 | - | 3,383,838 |
| Beneficial interest in assets held by Community Foundation | | - | 9,978 | - | 9,978 |
| Total assets | $ | 5,342,614 | 4,295,882 | - | 9,638,496 |

Note 5 – Endowments

The Foundation's endowment consist of various funds established to provide income to meet the Foundation's annual operating needs and to provide funds for ongoing support to the Cedar Rapids Public Library in the areas of books and materials, children's services, technology and general needs above what public funding is able to provide for. Its endowments consist of donor-restricted and unrestricted designated endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Iowa Uniform Act – Institutional Funds Management Act (IUA-IFMA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

(continued)

Note 5 – Endowments (Continued)

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's board. In accordance with IUA-IFMA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The primary objective is to provide growth of principal and income in the fund's assets relative to the consumer price index. The objective should be pursued as the long-term designed to maximize total return without undue risk. The Foundation's risk tolerance is described as moderate. The need to preserve and enhance the value of the assets for future needs of the library supports a larger percentage of the portfolio in stocks.

Spending Policy

The annual distribution made to the Cedar Rapids Public Library from the Foundation is currently 3%. The rate shall be based on the average fair market value of the fund for the prior calendar year using the values of the fund at the end of each calendar quarter. Total return in excess of the 3% spending guidelines should be reinvested to grow the fund.

Strategies Employed for Achieving Objectives

The objective of the fund manager should be long-term appreciation of the fund's assets and consistency of total portfolio performance. The performance of the portfolio is reviewed at least annually. The primary focus will be on a market cycle which covers a period of 3-5 years. The fund should earn a total rate of return (interest, dividends, and net realized and unrealized gains/losses) that exceeds the greater of the spending rate or the increase in the consumer price index.

(continued)

Note 5 – Endowments (Continued)

Endowment net asset composition by type of fund as of June 30, 2013:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | 168,946 | 577,869 | 746,815 |
| Board-designated endowment funds in investments | 2,446,108 | - | - | 2,446,108 |
| Endowment funds in investments | 2,446,108 | 168,946 | 577,869 | 3,192,923 |
| Board-designated endowment funds at Community Foundation | 11,574 | - | - | 11,574 |
| Total endowment funds | $ 2,457,682 | 168,946 | 577,869 | 3,204,497 |

Changes in endowment net assets for the year ended June 30, 2013:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|---|---|---|---|---|
| Net assets, beginning of year | $ 2,013,282 | 95,261 | 512,448 | 2,620,991 |
| Contributions | - | - | 65,421 | 65,421 |
| Board designated additions | 342,522 | - | - | 342,522 |
| Investment income, net of fees | 67,847 | 18,815 | - | 86,662 |
| Net appreciation | 197,856 | 54,870 | - | 252,726 |
| Change in beneficial interest | 1,596 | - | - | 1,596 |
| Appropriation of endowment assets for expenditure | ( 165,421) | - | - | ( 165,421) |
| Net assets, end of year | $ 2,457,682 | 168,946 | 577,869 | 3,204,497 |

(continued)

Note 5 – Endowments (Continued)

Endowment net asset composition by type of fund as of June 30, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | 95,261 | 512,448 | 607,709 |
| Board-designated endowment funds in investments | 2,003,304 | - | - | 2,003,304 |
| Endowment funds in investments | 2,003,304 | 95,261 | 512,448 | 2,611,013 |
| Board-designated endowment funds at Community Foundation | 9,978 | - | - | 9,978 |
| Total endowment funds | $ 2,013,282 | 95,261 | 512,448 | 2,620,991 |

Changes in endowment net assets for the year ended June 30, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|---|---|---|---|---|
| Net assets, beginning of year as originally stated | $ 2,268,724 | 514,903 | 509,590 | 3,293,217 |
| Prior period adjustment | (29,810) | (376,449) | - | (406,259) |
| Net assets, beginning of year, as restated | 2,238,914 | 138,454 | 509,590 | 2,886,958 |
| Contributions | - | - | 2,858 | 2,858 |
| Board designated additions | 18,907 | - | - | 18,907 |
| Investment income, net of fees | 67,247 | 12,438 | - | 79,685 |
| Net depreciation | ( 158,159) | ( 29,253) | - | ( 187,412) |
| Change in beneficial interest | ( 147) | - | - | ( 147) |
| Appropriation of endowment assets for expenditure | ( 153,480) | ( 26,378) | - | ( 179,858) |
| Net assets, end of year | $ 2,013,282 | 95,261 | 512,448 | 2,620,991 |

(continued)

Note 6 – Restrictions on Net Assets

Temporarily restricted net asset are available for the following purposes:

| | 2013 | 2012 |
|---|---|---|
| Books and materials | $ 429,923 | 370,729 |
| Children's services | 181,368 | 173,516 |
| Technology | 3,007 | 1,935 |
| Downtown library project | 6,242,708 | 6,117,030 |
| Ladd library project | 218,421 | 1,153,935 |
| Program support | - | 495 |
| Future operations | 63,565 | 37,936 |
| | $ 7,138,992 | 7,855,576 |

Permanently restricted net assets consist of endowment funds which must be invested in perpetuity, the income from which is expendable.

Note 7 – Related Organization

During the years ended June 30, 2013 and 2012, $72,731 and $121,702 was paid to the Cedar Rapids Public Library for technology improvements, materials, and reimbursement of certain costs, respectively. During the year ended June 30, 2013, $1,034,486 was paid to the Cedar Rapids Public Library or on behalf of the Library for costs related to the downtown library project and the Ladd library project. At June 30, 2013 and 2012, $-0- and $76,771 was held by the Cedar Rapids Public Library Foundation on behalf of the Cedar Rapids Public Library.

Note 8 – Designated Funds Held by a Community Foundation

Designated funds for the benefit of Cedar Rapids Public Library Foundation have been established by donors with The Greater Cedar Rapids Community Foundation (Community Foundation). In establishing a designated fund, the donor grants variance power to the Community Foundation and therefore, an asset is not recognized by the Cedar Rapids Public Library Foundation. Revenue is recognized upon receipt of distributions. There were no distributions received from these funds during the years ended June 30, 2013 and 2012.

Note 9 – Support Concentration

The Hall-Perrine Foundation pledge balance was $1,800,000 and $2,297,173 as of June 30, 2013 and 2012, respectively. This represented approximately 81% and 68% of the Foundation's total pledge receivable balance as of June 30, 2013 and 2012, respectively.

Total bequests from two donors during the years ended June 30, 2013 and 2012 was $-0- and $812,767 respectively, representing approximately 0% and 36% of the Foundation's total support and revenue for the years ended June 30, 2013 and 2012, respectively. These donors' bequests receivable was $-0- and $812,767 as of June 30, 2013 and 2012, respectively. This represented approximately 0% and 100% of the Foundation's total bequests receivable balance as of June 30, 2013 and 2012, respectively.

Note 10 – Lease Agreement

The Foundation entered into a monthly lease agreement with the Cedar Rapids Public Library for the use of office space in the Westdale Mall. This lease automatically renews each month until such time as the original lease agreement between the Cedar Rapids Public Library and Cedar Rapids Properties, Inc. shall be terminated.

The total lease expense in relation to this operating lease was $6,999 and $6,999 for the years ended June 30, 2013 and 2012, respectively. The lease agreement was terminated August 31, 2013.

Note 11 – Subsequent Event

The Foundation made its first payment of $1,812,621 in August 2013 in support of the downtown library project.

Note 12 – Prior Period Adjustment

An error resulting in a misstatement of previously reported endowment net assets (as reported in Note 5) was discovered during the current year. Accordingly, the June 30, 2011 balances for unrestricted and temporarily restricted endowment net assets have been decreased by $406,259.