

**RANCHO MIRAGE
PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

JUNE 30, 2015

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position June 30, 2015.....	3
Statement of Activities For the Year Ended June 30, 2015	4
Statement of Cash Flows For the Year Ended June 30, 2015	5
NOTES TO FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

Rancho Mirage Public Library Foundation Board
Rancho Mirage, California

We have audited the accompanying financial statements of the Rancho Mirage Public Library Foundation (Foundation) (a California non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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 entity'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 entity'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 the Rancho Mirage Public Library Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Vavinek, Trine, Day & Co LLP

Riverside, California

December 30, 2015

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 1,376,995
Interest receivable	<u>6,653</u>
Total Current Assets	<u>1,383,648</u>

Noncurrent Assets:

Restricted cash and cash equivalents	389,965
Restricted investments	<u>129,601</u>
Total Noncurrent Assets	<u>519,566</u>

Total Assets	<u><u>\$ 1,903,214</u></u>
--------------	----------------------------

LIABILITIES AND NET ASSETS

LIABILITIES:

Current Liabilities:

Accounts payable	<u>\$ 2,011</u>
------------------	-----------------

NET ASSETS:

Unrestricted	1,303,438
Temporarily restricted	78,199
Permanently restricted	<u>519,566</u>

Total Net Assets	<u>1,901,203</u>
------------------	------------------

Total Liabilities and Net Assets	<u><u>\$ 1,903,214</u></u>
----------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Contributions	\$ 98,015	\$ 44,735		\$ 142,750
Special events	46,018			46,018
Membership dues	3,000			3,000
Net assets released from restriction	43,579	(43,579)		
Total Support and Revenues	<u>190,612</u>	<u>1,156</u>		<u>191,768</u>
EXPENSES:				
Program services	273,478			273,478
Management and general	32,241			32,241
Total Expenses	<u>305,719</u>			<u>305,719</u>
OTHER REVENUES:				
Interest income	50,394			50,394
Unrealized gain	5,663			5,663
Total Other Revenues	<u>56,057</u>			<u>56,057</u>
Change in Net Assets	(59,050)	1,156		(57,894)
Net Assets - Beginning of period	<u>1,362,488</u>	<u>77,043</u>	<u>\$ 519,566</u>	<u>1,959,097</u>
Net Assets - End of Year	<u>\$ 1,303,438</u>	<u>\$ 78,199</u>	<u>\$ 519,566</u>	<u>\$ 1,901,203</u>

The accompanying notes are an integral part of these financial statements.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (57,894)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	679
Increase in interest receivable	(549)
Decrease in accounts payable	<u>(1,342)</u>
Net Cash Provided by Operating Activities	<u>(59,106)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (59,106)

CASH AND CASH EQUIVALENTS:

Beginning of Period	<u>1,436,101</u>
End of Year	<u><u>\$ 1,376,995</u></u>

PER STATEMENT OF FINANCIAL POSITION:

Cash and cash equivalents	<u><u>\$ 1,376,995</u></u>
---------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Rancho Mirage Public Library Foundation (Foundation) was created in September 2010 to raise funds on behalf of the Rancho Mirage Public Library (Library). The Foundation was formed pursuant to a Settlement Funds Transfer Agreement with the Friends of the Rancho Mirage Public Library executed in December of 2010.

The Foundation receives public donations and collects membership fees to accomplish the mission of the Foundation.

B. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Foundation:

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned. The financial statements include the accounts maintained by and directly under the control of the Foundation.

Cash and Cash Equivalents – The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are composed of permanently restricted amounts held as an endowment.

Concentration of Credit Risk – Foundation cash is pooled with the City of Rancho Mirage investment portfolio. The Foundation also holds investments separately from the City of Rancho Mirage investment portfolio.

Uses of Property and Structures – The Foundation uses certain property and structures that are necessary for the Foundation to operate on a daily basis; however, such property and structures are owned by the City of Rancho Mirage. No amounts have been reflected in the financial statements since there is no readily determined method of valuing the use of the City's public library.

Net Assets – In accordance with Accounting Standards Codification (ASC) 958-210 Not-For-Profit Balance Sheet Presentation, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by specific actions pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations such that they should be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundations to use all or part of the income earned on these assets.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Significant Accounting Policies, (Continued)

Membership Dues – Membership Dues are reported when received. Since membership is voluntary, no receivable exists until a member renews the membership or a pledge of membership or donation is made.

Donated Goods and Services – Donated goods and services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such goods and services. However, a number of volunteers have donated significant amounts of their time in the Foundation's program services.

Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2012 and forward may be audited by regulatory agencies; however, the Foundation is not aware of any such actions at this time. The Foundation has filed forms 990, 199 and RRF-1 with the appropriate agencies, as well as Forms 990T and 199T when applicable. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements –The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10 (Formerly SFAS 157), *Fair Value Measurements and Disclosures*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels, as defined by FASB ASC 820-10, used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Significant Accounting Policies, (Continued)

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation used the market approach to determine fair value for all investment assets.

NOTE 2 – CASH AND INVESTMENTS

Investments are carried at market value. Accordingly, investment income includes both realized and unrealized gains and losses. For additional information on how the Foundation measures fair value, refer to Note 1 Significant Accounting Policies.

Cash and Investments consisted of the following at June 30, 2015:

City investment pool	\$ 1,766,960
Exchange traded funds	129,601
	<u>\$ 1,896,561</u>
Cash and cash equivalents	\$ 1,376,995
Restricted investments	129,601
Restricted cash and cash equivalents	389,965
	<u>\$ 1,896,561</u>

The Foundation is a voluntary participant in the cash and investment pool managed by the City of Rancho Mirage. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Rancho Mirage. The fair value of the Foundation's investment in this pool is reported in the accompanying financial statements at amounts based upon the Foundation's prorata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City. The amount that can be withdrawn is not subject to penalty or restrictions. As of June 30, 2015, the balance held was \$1,766,960.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS, (CONTINUED)

Restricted cash and cash equivalents and investments represent the donor imposed restriction balance that is held as the permanently restricted endowment. As of June 30, 2015, the restricted balance was \$519,566.

The Foundation's investment policy includes objectives of a base return of 3.00% on the original principal and the minimum average annual growth rate of the three-year trailing average inflation rate, as measured by the Consumer Price Index. In order to achieve the objectives, permissible investments include equity securities, debt instruments, and cash and equivalents. Pursuant to the investment policy, the Foundation held investments in exchange traded funds of \$129,601 as of June 30, 2015.

NOTE 3 – FAIR VALUE MEASUREMENT

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015.

	<u>Level 1</u>
Exchange traded funds	<u>\$ 129,601</u>
	<u>Level 3</u>
City investment pool	<u>\$ 1,766,960</u>

The following table presents changes in the Foundation's Level 3 investment assets for the year ending June 30, 2015.

Level 3 Assets:	
Balance, beginning of year	\$ 1,831,915
Maturities	<u>(64,955)</u>
Balance, end of year	<u>\$ 1,766,960</u>

NOTE 4 – ENDOWMENT

The endowment portfolio is invested in accordance with the Statement of Investment Policy of the City of Rancho Mirage. As of June 30, 2015, the endowment is comprised of \$519,566 of donor imposed restricted funds. This amount is reflected as permanently restricted in the accompanying financial statements.

The Foundation Board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) plus the original value of subsequent gifts to the endowment, and (c) plus accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – ENDOWMENT, (CONTINUED)

In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Foundation’s investment policies.

Endowment net asset composition as of June 30, 2015, is as follows:

	<u>Permanently</u> <u>Restricted</u>
Donor restricted endowment	<u>\$ 519,566</u>

NOTE 5 – RESTRICTIONS OF NET ASSETS

Net assets were classified as follows for the period ended June 30, 2015:

	<u>2014</u>
Unrestricted	<u>\$ 1,303,438</u>
Temporarily Restricted Programs	<u>\$ 78,199</u>
Permanently Restricted Endowment	<u>\$ 519,566</u>

Contributions temporarily restricted for programs represent cash donations to be used to fund various programs and events held by the Library.

RANCHO MIRAGE PUBLIC LIBRARY FOUNDATION
(A California Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – FUNCTIONAL EXPENSES

Expenses by natural classification related to providing these services for the period ended June 30, 2015 are as follows:

MANAGEMENT AND GENERAL	
Professional fees	\$ 14,990
Bank fees	2,231
Meetings and travel	1,529
Reproduction and printing	10,540
Supplies	2,951
Total Management and General	<u>32,241</u>
PROGRAM SERVICES	
Programs	89,855
Book collection	155,612
Reading club	6,847
Literary Legacy	1,136
Special events	20,028
Total Program Services	<u>273,478</u>
Total Expenses	<u>\$ 305,719</u>

NOTE 7 – FUND-RAISING EXPENSE

Total fund-raising expense for the period ended June 30, 2015 was \$16,082.

NOTE 8 – SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions for potential recognition or disclosure in the financial statements from the balance sheet date through December 30, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.