

Library **Foundation** of **LOS ANGELES**

Providing Support for the Los Angeles Public Library

Financial Statements
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Library Foundation of Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of Library Foundation of Los Angeles (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 Library Foundation of Los Angeles as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Long Beach, California
November 1, 2018

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 133,950	\$ 376,394
Investments	44,313,745	42,321,756
Pledges receivable	2,402,188	1,554,192
Library store inventory	129,816	136,625
Property and equipment, net	509,978	536,396
Interests in charitable remainder trusts	500,397	470,405
Prepays	<u>103,371</u>	<u>49,420</u>
TOTAL ASSETS	<u><u>\$ 48,093,445</u></u>	<u><u>\$ 45,445,188</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 114,221	\$ 98,249
Deferred revenue	<u>502,857</u>	<u>526,767</u>
Total Liabilities	<u>617,078</u>	<u>625,016</u>

COMMITMENTS (Notes 10 and 11)

NET ASSETS

Unrestricted:

Available for general operations	2,762,040	2,547,971
Board-directed endowment	<u>17,977,215</u>	<u>17,129,459</u>
	<u>20,739,255</u>	<u>19,677,430</u>

Temporarily restricted:

Restricted for specific purpose	3,332,349	2,931,125
Endowment	<u>8,396,050</u>	<u>7,232,904</u>
	<u>11,728,399</u>	<u>10,164,029</u>

Permanently restricted - endowment

	<u>15,008,713</u>	<u>14,978,713</u>
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Total Net Assets	<u>47,476,367</u>	<u>44,820,172</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 48,093,445</u></u>	<u><u>\$ 45,445,188</u></u>
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The accompanying notes are an integral part of these financial statements.

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted		Temporarily	Permanently	
	Undesignated	Board Directed	Restricted	Restricted	Total
OPERATING ACTIVITIES:					
SUPPORT AND REVENUE					
Contributions	\$ 2,486,149	\$ -	\$ 2,906,600	\$ 30,000	\$ 5,422,749
Fund-raising events - net of direct expenses of \$360,571	-	-	1,216,091	-	1,216,091
Store revenue, net of discounts	547,109	-	-	-	547,109
	<u>3,033,258</u>	<u>-</u>	<u>4,122,691</u>	<u>30,000</u>	<u>7,185,949</u>
NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:					
Endowment appropriations	1,329,470	(647,248)	(682,222)	-	-
Satisfaction of donor intent	3,751,459	-	(3,751,459)	-	-
	<u>5,080,929</u>	<u>(647,248)</u>	<u>(4,433,681)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>8,114,187</u>	<u>(647,248)</u>	<u>(310,990)</u>	<u>30,000</u>	<u>7,185,949</u>
EXPENSES					
Program Services:					
Investing in Lifelong Learning	1,873,802				1,873,802
Engaging the Imagination	1,948,199				1,948,199
Helping Students Succeed	1,717,238				1,717,238
Library Store	555,704				555,704
Total Program Services	<u>6,094,943</u>				<u>6,094,943</u>
Supporting Services:					
General and administrative	790,694				790,694
Fund-raising	1,028,447				1,028,447
Total Supporting Services	<u>1,819,141</u>				<u>1,819,141</u>
TOTAL EXPENSES	<u>7,914,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,914,084</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>200,103</u>	<u>(647,248)</u>	<u>(310,990)</u>	<u>30,000</u>	<u>(728,135)</u>
NONOPERATING ACTIVITIES:					
Interest and dividends, net of fees	99,678	201,544	255,178	-	556,400
Net realized and unrealized gain (loss) on investments	(85,712)	1,293,460	1,590,190	-	2,797,938
Other adjustments	-	-	29,992	-	29,992
	<u>13,966</u>	<u>1,495,004</u>	<u>1,875,360</u>	<u>-</u>	<u>3,384,330</u>
CHANGE IN NET ASSETS	<u>214,069</u>	<u>847,756</u>	<u>1,564,370</u>	<u>30,000</u>	<u>2,656,195</u>
BEGINNING NET ASSETS	<u>2,547,971</u>	<u>17,129,459</u>	<u>10,164,029</u>	<u>14,978,713</u>	<u>44,820,172</u>
ENDING NET ASSETS	<u>\$ 2,762,040</u>	<u>\$ 17,977,215</u>	<u>\$ 11,728,399</u>	<u>\$ 15,008,713</u>	<u>\$ 47,476,367</u>

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

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted		Temporarily	Permanently	
	Undesignated	Board Directed	Restricted	Restricted	Total
OPERATING ACTIVITIES:					
SUPPORT AND REVENUE					
Contributions	\$ 2,841,731	\$ 9,100	\$ 2,521,771	\$ 1,520,000	\$ 6,892,602
Fund-raising events - net of direct expenses of \$216,167	522,013	-	205,786	-	727,799
Store revenue, net of discounts	525,565	-	-	-	525,565
	<u>3,889,309</u>	<u>9,100</u>	<u>2,727,557</u>	<u>1,520,000</u>	<u>8,145,966</u>
NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:					
Endowment appropriations	1,256,755	(606,156)	(650,599)	-	-
Satisfaction of donor intent	3,549,380	-	(3,549,380)	-	-
	<u>4,806,135</u>	<u>(606,156)</u>	<u>(4,199,979)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>8,695,444</u>	<u>(597,056)</u>	<u>(1,472,422)</u>	<u>1,520,000</u>	<u>8,145,966</u>
EXPENSES					
Program Services:					
Investing in Lifelong Learning	1,864,747				1,864,747
Engaging the Imagination	2,193,412				2,193,412
Helping Students Succeed	1,284,658				1,284,658
Library Store	555,606				555,606
Total Program Services	<u>5,898,423</u>				<u>5,898,423</u>
Supporting Services:					
General and administrative	659,887				659,887
Fund-raising	869,571				869,571
Total Supporting Services	<u>1,529,458</u>				<u>1,529,458</u>
TOTAL EXPENSES	<u>7,427,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,427,881</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,267,563</u>	<u>(597,056)</u>	<u>(1,472,422)</u>	<u>1,520,000</u>	<u>718,085</u>
NONOPERATING ACTIVITIES:					
Interest and dividends, net of fees	72,280	189,222	198,739	-	460,241
Net realized and unrealized gain (loss) on investments	(46,047)	1,913,034	2,280,394	-	4,147,381
Other adjustments	9,734	-	26,000	-	35,734
	<u>35,967</u>	<u>2,102,256</u>	<u>2,505,133</u>	<u>-</u>	<u>4,643,356</u>
CHANGE IN NET ASSETS	<u>1,303,530</u>	<u>1,505,200</u>	<u>1,032,711</u>	<u>1,520,000</u>	<u>5,361,441</u>
BEGINNING NET ASSETS	<u>1,244,441</u>	<u>15,624,259</u>	<u>9,131,318</u>	<u>13,458,713</u>	<u>39,458,731</u>
ENDING NET ASSETS	<u>\$ 2,547,971</u>	<u>\$ 17,129,459</u>	<u>\$ 10,164,029</u>	<u>\$ 14,978,713</u>	<u>\$ 44,820,172</u>

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

LIBRARY FOUNDATION OF LOS ANGELES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Services					Supporting Services		
	Investing in Lifelong Learning	Engaging the Imagination	Helping Students Succeed	Library Store	Total	General and Administrative	Fundraising	Total
Collateral material and promotions	\$ 16,667	\$ 101,780	\$ 142,059	\$ -	\$ 260,506	\$ 8,768	\$ -	\$ 269,274
Computer equipment	61,414	129,151	60,088	-	250,653	-	-	250,653
Library collections	-	35,392	487	-	35,879	-	-	35,879
Events	417	336,973	17,218	-	354,608	-	-	354,608
Furniture and fixtures	58,009	120,657	716	-	179,382	-	-	179,382
Seminars, exhibits, and workshops	166,400	275,592	757,991	-	1,199,983	-	-	1,199,983
Salaries, payroll taxes, and benefits	1,556,681	940,070	731,995	173,228	3,401,974	471,318	913,275	4,786,567
Cost of goods sold	-	-	-	279,202	279,202	-	-	279,202
Rent	-	-	-	26,862	26,862	24,000	-	50,862
Other	-	-	-	59,189	59,189	49,717	83,525	192,431
Office administration and supplies	14,214	8,584	6,684	17,223	46,705	85,023	31,647	163,375
Consulting and outside services	-	-	-	-	-	127,817	-	127,817
Travel and related expenses	-	-	-	-	-	24,051	-	24,051
	<u>\$ 1,873,802</u>	<u>\$ 1,948,199</u>	<u>\$ 1,717,238</u>	<u>\$ 555,704</u>	<u>\$ 6,094,943</u>	<u>\$ 790,694</u>	<u>\$ 1,028,447</u>	<u>\$ 7,914,084</u>

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

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services		
	Investing in Lifelong Learning	Engaging the Imagination	Helping Students Succeed	Library Store	Total	General and Administrative	Fundraising	Total
Collateral material and promotions	\$ 43,446	\$ 140,339	\$ 82,046	\$ -	\$ 265,831	\$ 12,984	\$ -	\$ 278,815
Computer equipment	51,937	80,902	1,025	-	133,864	-	-	133,864
Library collections	-	123,462	20,502	-	143,964	-	-	143,964
Events	-	395,042	886	-	395,928	-	-	395,928
Furniture and fixtures	-	129,029	415	-	129,444	-	-	129,444
Seminars, exhibits, and workshops	249,521	444,155	564,050	-	1,257,726	-	-	1,257,726
Salaries, payroll taxes, and benefits	1,502,459	870,412	608,691	176,843	3,158,405	413,968	770,497	4,342,870
Cost of goods sold	-	-	-	267,317	267,317	-	-	267,317
Rent	-	-	-	25,453	25,453	24,000	-	49,453
Mobile library store	-	-	-	1,278	1,278	-	-	1,278
Other	4,736	2,744	1,919	64,894	74,293	39,570	54,087	167,950
Office administration and supplies	12,648	7,327	5,124	19,821	44,920	61,305	44,987	151,212
Consulting and outside services	-	-	-	-	-	86,412	-	86,412
Travel and related expenses	-	-	-	-	-	21,648	-	21,648
	<u>\$ 1,864,747</u>	<u>\$ 2,193,412</u>	<u>\$ 1,284,658</u>	<u>\$ 555,606</u>	<u>\$ 5,898,423</u>	<u>\$ 659,887</u>	<u>\$ 869,571</u>	<u>\$ 7,427,881</u>

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

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,656,195	\$ 5,361,441
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	57,629	58,323
Gain on sale of property and equipment	-	(9,734)
Net realized and unrealized gain on investments	(2,797,938)	(4,147,381)
Change in value of charitable remainder trusts	(29,992)	(26,000)
Changes in operating assets and liabilities:		
Pledges receivable	(847,996)	337,783
Library store inventory	6,809	(13,458)
Prepays	(53,951)	13,770
Accounts payable and accrued expenses	15,972	1,090
Deferred revenue	(23,910)	137,936
Net Cash Provided By (Used In) Operating Activities	<u>(1,017,182)</u>	<u>1,713,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale or maturity of investments	16,112,583	7,474,679
Purchases of investments	(15,306,634)	(9,272,982)
Purchases of equipment	(31,211)	(15,305)
Proceeds from sale of property and equipment	-	15,000
Net Cash Provided By (Used In) Investing Activities	<u>774,738</u>	<u>(1,798,608)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(242,444)	(84,838)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>376,394</u>	<u>461,232</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>\$ 133,950</u></u>	<u><u>\$ 376,394</u></u>

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

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – Organization and Programs

Organization

The Library Foundation of Los Angeles (the Foundation) was founded in 1992 as a California public benefit corporation to encourage private support through memberships, corporate sponsorships, gifts, trusts, and bequests for the benefit of the Los Angeles Public Library (the Library). The Foundation seeks to provide a continuous and dependable source of funding for long- and short-term projects.

Programs

The following is a description of the Foundation's program categories:

Investing in Lifelong Learning – The Foundation is committed to breaking cycles of low literacy by working with children and their parents/caregivers at all 73 Library locations and in partnership with local schools and community organizations. The Foundation offers a series of literacy-related activities for children through the use of Computer Aides/Cybernauts. A variety of programs assist adults in learning skills to improve their reading and writing abilities so the adults can read aloud with their children from birth in hopes of fostering a love of lifelong reading. The Foundation also provides science, technology, engineering, art, and math projects via the Full Steam Ahead program.

Engaging the Imagination – Throughout the year, the Foundation brings many established and emerging authors, poets, journalists, academics, and artists for public events. The Foundation seeks to provide library awareness, inspire and challenge people with free exhibitions and unique public programming that explores art and literature, the cultural landscape of Los Angeles, and the vast collections of the Library. The Foundation also provides resources to digitize physical collections to preserve the collection and offer accessibility via the Internet.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – Organization and Programs (Continued)

Programs (Continued)

Helping Students Succeed – For students using the Library to complete school assignments, participate in activities, and conduct research, the Foundation’s Future Ready Teens programs offer on-demand individual tutoring, access to computers and free printing of homework assignments, college-preparation workshops and practice SAT/ACT/PSAT exams. Through the Teens Leading Change program, the Foundation provides teens opportunities to understand civics at the local and national level, helping them gain the critical thinking skills necessary to evaluate current social issues and political events. The partnership with hospitals, health care providers, daycare centers and early childhood education centers help parents start their babies on the path to lifelong success through initiatives like Read Baby Read. An expansion of the We Read Together program, Read Baby Read offers new and expecting parents with everything they need to develop early literacy skills in their babies and toddlers.

Library Store – The Foundation operates a gift store located in the historic Los Angeles Central Library. The Library Store was remodeled in 2016, after 18 years, in order to refresh the appearance and bring it into full ADA compliance. The Library Store sales support the Los Angeles Public Library.

NOTE 2 – Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence and nature of donor-imposed restrictions.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. As reflected in the accompanying statements of financial position, the Foundation’s Board of Directors has designated a portion of the unrestricted net assets of the Foundation for long-term investment purposes, referred to as the Board-Directed Endowment Fund.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets – Funds restricted based upon specific donor designations and, as such, obligations the Foundation must fulfill. They include gifts for which donor-imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. The funds also include investment earnings accumulated on restricted endowments that are designated to support purposes specified in those endowment agreements. These amounts are not available for unrestricted purposes.

Permanently Restricted Net Assets – Includes gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, and realized and unrealized earnings from the invested corpus.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Upon expiration of the restriction, the contributions are reclassified to unrestricted net assets. Unconditional pledges are recognized as revenue when a written pledge is made.

Deferred Revenue

Contributions related to special events are deferred as revenue until the special event occurs. At June 30, 2018, deferred revenue relates primarily to the Foundation's Anniversary Literary Awards Celebration Dinners to be held in 2018, 2020 and 2022 and the Young Literati Toast for 2019 through 2021. At June 30, 2017, deferred revenue relates primarily to the Foundation's 2017 Literary Feasts and the 2018 Young Literati Toast.

Recognition of Donor Restrictions

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Certain significant items in the financial statements subject to such use of estimates include the accounting for pledges receivable and contributions receivable from charitable remainder trusts.

Cash and Cash Equivalents – Concentrations of Credit Risk

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

At June 30, 2018 and throughout the year, the Foundation has maintained cash in its financial institutions in excess of federally insured limits.

Investment Valuation and Market Risk

Investments are reported at fair value based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair value using the net asset value (NAV) as reported by the management of the respective institutional investment fund. GAAP provides for the use of NAV as a practical expedient for estimating fair value for alternative investments. The Foundation reviews and evaluates the NAV provided by the funds and believes the valuation methods and assumptions used in determining the fair value of the investment funds are appropriate.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of changes in net assets as reported in the accompanying statements of activities.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that significant changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Pledges Receivable

The Foundation considers all pledges receivable at June 30, 2018 and 2017 to be fully collectible. As of June 30, 2018 and 2017, there is no allowance for doubtful accounts.

Library Store Inventory

The Library Store (the Store) sells gifts and library-related items to promote awareness of the Library. Inventory is valued using the average cost, which approximates the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation and amortization have been provided using the straight-line method over the assets' estimated useful lives, ranging from five to twenty years. Property and equipment purchased on behalf of the Los Angeles Public Library are recorded as expenses.

Program Services

When the Foundation expends assets for program services in accordance with donor designations, these temporarily restricted net assets are released from restrictions. (See Note 7.) In addition, the Foundation also expends unrestricted net assets for program services.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Foundation have been summarized on a functional basis in the statements of activities. Therefore, certain costs have been allocated among the programs and supporting services benefited based on the judgment of management. The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from federal income taxes and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California Revenue and Taxation Code sections. The Foundation recognizes the financial statement benefit of a tax position, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Board-Directed Endowment

The board-directed endowment is composed of funds which are internally designated and used at the discretion of the governing board to achieve core mission initiatives. The endowment is used to build capacity, strengthen programs, and leverage philanthropy.

Donated Goods and Services

Donated goods are recorded at their fair value when an unconditional promise to give has been made or when goods have been received. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Included in contribution revenue is \$186,668 and \$162,914 of donated goods and professional services for the years ended June 30, 2018 and 2017, respectively. Included in these amounts are legal services from related parties. Such in-kind support is offset by like amounts included in program and administrative expenses.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018 (fiscal year ending June 30, 2020 for the Foundation). The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “*Leases*” (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments be recorded. The ASU is effective for the Foundation’s fiscal years beginning after December 15, 2019 (fiscal year ending June 30, 2021 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017 (fiscal year ending June 30, 2019 for the Foundation). The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the Foundation’s management has evaluated events and transactions for potential recognition or disclosure through November 1, 2018, the date the financial statements were available to be issued.

NOTE 3 – Investments

Investments consists of the following:

	June 30,	
	2018	2017
Investments:		
US Treasury bonds	\$ 737,149	\$ 619,844
Corporate bonds - domestic	1,482,101	1,764,229
Mortgage securities	883,838	988,384
Foreign bonds	472,135	526,680
Equity funds	22,882,609	24,463,152
Fixed income	7,697,895	8,489,509
Hedge fund strategies	4,534,415	3,656,757
Income funds	5,623,603	1,813,201
	<u>\$ 44,313,745</u>	<u>\$ 42,321,756</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 – Investments (Continued)

Investment return consists of the following:

	For the Year Ended June 30,	
	2018	2017
Interest and dividends	\$ 656,206	\$ 555,293
Investment management fees	<u>(99,806)</u>	<u>(95,052)</u>
	<u>556,400</u>	<u>460,241</u>
Net unrealized gain on investments	2,422,911	4,076,901
Net realized gain on investments	<u>375,027</u>	<u>70,480</u>
	<u>2,797,938</u>	<u>4,147,381</u>
	<u><u>\$ 3,354,338</u></u>	<u><u>\$ 4,607,622</u></u>

NOTE 4 – Pledges Receivable

Pledges receivable outstanding at June 30, 2018 are expected to be collected as follows:

Within one year	\$ 1,878,982
Between two and five years	<u>523,206</u>
	<u><u>\$ 2,402,188</u></u>

NOTE 5 – Interests in Charitable Remainder Trusts

The Foundation is the beneficiary of two charitable remainder trusts for which the Foundation is not the trustee. The Foundation recognizes the present value of the estimated future benefits to be received when the trust assets are distributed as temporarily restricted contribution revenue and as a receivable. Adjustments to the receivable to reflect amortization of the discount and revaluation of the present value of the estimated future payments to the lifetime beneficiary are recognized in the statements of activities as changes in value of charitable remainder trusts reported within other adjustments.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – Interests in Charitable Remainder Trusts (Continued)

Beneficial interests in charitable remainder trusts totaled \$500,397 and \$470,405 at June 30, 2018 and 2017, respectively, representing the portion of the charitable remainder trusts for which the Foundation is the designated beneficiary.

NOTE 6 – Board-Designated Net Assets

The Board of Directors has designated certain net assets toward endowment funds as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Board-designated endowment fund supporting priority program and foundation activities	\$ 14,342,431	\$ 13,671,803
Victoria E. Foote endowment fund supporting students pursuing their educational goals	<u>3,634,784</u>	<u>3,457,656</u>
	<u>\$ 17,977,215</u>	<u>\$ 17,129,459</u>

NOTE 7 – Net Assets Released from Restrictions

Net assets were released from donor restrictions on contributions received in both the current and prior periods by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Investing in Lifelong Learning	\$ 1,469,044	\$ 1,413,060
Engaging the Imagination	1,494,848	1,645,640
Helping Students Succeed	<u>1,469,789</u>	<u>1,141,279</u>
	<u>\$ 4,433,681</u>	<u>\$ 4,199,979</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 – Permanently Restricted Net Assets

Permanently restricted net assets consists of amounts designated for the following endowment funds:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Caroline Singleton Adult Literacy Endowment	\$ 5,062,352	\$ 5,062,352
National Endowment for Humanities	3,000,000	3,000,000
Thornton Endowment	1,000,000	1,000,000
Future Leaders Endowment	2,500,000	2,500,000
Edythe Broad Technology Endowment	1,000,000	1,000,000
Gregory Peck Literary Endowment	833,949	823,949
Estella Fregoso de Garcia Endowment	692,412	692,412
Gluck Endowment	500,000	500,000
Claire Hutto-Patterson Endowment	250,000	250,000
Sharon Oxborough Endowment	50,000	50,000
Lynn Strasburg Miller Endowment	80,000	70,000
Dean Hansell Endowment	<u>40,000</u>	<u>30,000</u>
	<u>\$ 15,008,713</u>	<u>\$ 14,978,713</u>

Earnings from the Caroline Singleton Adult Literacy Endowed and the Thornton Endowed Funds are designated to maintain and expand the Foundation’s programs that address the problem of adult and child literacy in the city of Los Angeles.

The National Endowment for Humanities Fund has designated that earnings on the endowment are to be spent for humanities and related materials.

The Future Leaders Endowed Fund was established for the purpose of bringing noted authors to the branches of the Los Angeles Public Library’s children and teen Summer Reading program as well as creating a Civics Engagement program that will enhance the Los Angeles Public Library’s Future Ready Teens and Teens Leading Change programs. This \$2,500,000 gift is permanently restricted and only earnings from the Future Leaders Endowed Fund are designated to support these programs.

The Edythe Broad Technology Endowed Fund for Students was established for the purpose of supporting the Los Angeles Public Library’s technology programs within Student Zones. This \$1,000,000 gift is permanently restricted and only earnings from the Edythe Broad Technology Endowed Fund for Students are designated to support this program.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 – Permanently Restricted Net Assets (Continued)

The Gregory Peck Literary Endowed Fund was established for the purpose of building the necessary financial resources to maintain literary readings and cultural programs in the Los Angeles Public Library in perpetuity, and to honor Mr. Peck for his work on behalf of the Los Angeles Public Library.

The Estella Fregoso de Garcia Endowed Fund was established for the purpose of supporting the Los Angeles Public Library's Spanish and French collections. The gift is permanently restricted and only earnings from the Estella Fregoso de Garcia Endowment Fund are designated to support programs and materials with Spanish and French languages.

Earnings from the Gluck Endowed Fund are designated to purchase books for the Los Angeles Public Library.

The Clare Hutto-Patterson Endowed Fund was established for the purpose of supporting the Los Angeles Public Library's Live Homework Help program. This pledged gift is permanently restricted and only earnings from the Clare Hutto-Patterson Endowed Fund are designated to support Live Homework Help.

The Sharon Oxborough Endowed Fund was established for the purpose of supporting the Foundation's signature literary series, ALOUD. This gift is permanently restricted and only earnings from the Sharon Oxborough Endowed Fund for ALOUD are designated to support this program.

The Lynn Strasburg Miller Endowed Fund was established for the purpose of supporting the Los Angeles Public Library's Student Zones program. This gift is permanently restricted and only earnings from the Lynn Strasburg Miller Endowed Fund are designated to support this program.

The Dean Hansell Endowed Fund was established for the purpose of supporting the Los Angeles Public Library's Adult Literacy program. The gift is permanently restricted and only earnings from the Dean Hansell Endowed Fund for Adult Literacy are designated to support the program.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 – Endowment

The Foundation's endowment consists of board-designated funds and several individual donor-designated funds to support a variety of purposes including literacy, humanities, and literary programs. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's management and investment of donor-restricted endowment funds is subject to the provisions of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Foundation has interpreted California's enacted version of UPMIFA 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 the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Foundation's endowment funds are invested and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets in order to achieve a stable stream of funding for programs supported by the Foundation's endowment, while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, meet or exceed the spending policy rate, plus the rate of inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation employs a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 – Endowment (Continued)

Strategies Employed for Achieving Objectives (Continued)

The Foundation maintains an advisory services agreement with Commonfund's Strategic Solutions program. This program diversifies the Foundation's investment portfolio into emerging markets, global and private equity, and alternatives.

Spending Policy and the Related Investment Objectives

The Foundation has set policies for appropriating for expenditure each year 4 to 6% of the endowment fund's average fair value over the preceding 12 quarters, subject to maintaining certain minimum fund balances. The spending policies are consistent with the Foundation's objectives to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In establishing these policies, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policies to allow for an accumulation of earnings over time that will create endowment growth sufficient to preserve or increase the purchasing power of its endowment funds. The net accumulation of investment earnings under this policy for restricted endowment funds is classified within temporarily restricted net assets.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. No such deficiencies existed as of June 30, 2018 and 2017.

Amounts Appropriated for Expenditure

The amounts appropriated for expenditure during the year ended June 30, 2018 were \$647,248 from the Board Directed Endowment funds and \$682,222 from Donor Designated Endowment funds. The amounts appropriated for expenditure during the year ended June 30, 2017 were \$606,156 from the Board Directed Endowment funds and \$650,599 from Donor Designated Endowment funds. These amounts are reflected in the accompanying statement of activities within net assets released from restriction/designation.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9 – Endowment (Continued)

Amounts Appropriated for Expenditure (Continued)

Endowment net asset composition by type of fund is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
At June 30, 2018:				
Board-designated	\$ 17,977,215	\$ -	\$ -	\$ 17,977,215
Donor-designated:				
Temporarily restricted	-	8,396,050	-	8,396,050
Permanently restricted	-	-	15,008,713	15,008,713
	-	8,396,050	15,008,713	23,404,763
Total endowment funds	<u>\$ 17,977,215</u>	<u>\$ 8,396,050</u>	<u>\$ 15,008,713</u>	<u>\$ 41,381,978</u>
At June 30, 2017:				
Board-designated	\$ 17,129,459	\$ -	\$ -	\$ 17,129,459
Donor-designated:				
Temporarily restricted	-	7,232,904	-	7,232,904
Permanently restricted	-	-	14,978,713	14,978,713
	-	7,232,904	14,978,713	22,211,617
Total endowment funds	<u>\$ 17,129,459</u>	<u>\$ 7,232,904</u>	<u>\$ 14,978,713</u>	<u>\$ 39,341,076</u>

At June 30, 2018, the endowment totaled \$41,381,978, which includes \$8,396,050 of temporarily restricted net assets. The remaining \$3,332,349 of temporarily restricted net assets has not been endowed, but rather designed by donors for a specific spending purpose.

LIBRARY FOUNDATION OF LOS ANGELES

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 – Endowment (Continued)

Amounts Appropriated for Expenditure (Continued)

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 17,129,459	\$ 7,232,904	\$ 14,978,713	\$ 39,341,076
Investment return:				
Interest and dividends	201,544	255,178	-	456,722
Net appreciation	1,293,460	1,590,190	-	2,883,650
Total investment return	<u>1,495,004</u>	<u>1,845,369</u>	<u>-</u>	<u>3,340,372</u>
Contributions	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Amounts appropriated for expenditure	<u>(647,248)</u>	<u>(682,222)</u>	<u>-</u>	<u>(1,329,470)</u>
End of year	<u>\$ 17,977,215</u>	<u>\$ 8,396,050</u>	<u>\$ 15,008,713</u>	<u>\$ 41,381,978</u>

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 15,624,259	\$ 5,404,370	\$ 13,458,713	\$ 34,487,342
Investment return:				
Interest and dividends	189,222	198,739	-	387,961
Net appreciation	1,913,034	2,280,394	-	4,193,428
Total investment return	<u>2,102,256</u>	<u>2,479,133</u>	<u>-</u>	<u>4,581,389</u>
Contributions	<u>9,100</u>	<u>-</u>	<u>1,520,000</u>	<u>1,529,100</u>
Amounts appropriated for expenditure	<u>(606,156)</u>	<u>(650,599)</u>	<u>-</u>	<u>(1,256,755)</u>
End of year	<u>\$ 17,129,459</u>	<u>\$ 7,232,904</u>	<u>\$ 14,978,713</u>	<u>\$ 39,341,076</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 – Los Angeles Public Library

The Foundation has an agreement with the Library to pay rent for the Store at the rate of 5% of gross Store sales. The rent expense incurred for the years ended June 30, 2018 and 2017 amounted to approximately \$27,000 and \$25,000, respectively.

The Library provides office space at no charge to the Foundation. The Foundation has recorded in-kind contributions of \$24,000 in the years ended June 30, 2018 and 2017, for the donated space. Such in-kind support is offset by like amounts included in expenses.

NOTE 11 – Retirement Plan

The Foundation has a defined contribution 401(k) plan covering all of its eligible employees. The plan is subject to limitations set forth by the Internal Revenue Code. Eligible employees can contribute up to 28% of their gross compensation, not to exceed amounts provided by law. The Plan includes a Safe Harbor feature, where eligible employees receive a 100% vested matching contribution up to 3% of the employee's deferral and an additional 50% vested matching contribution on the next 2% of the employee's deferral. Matching contributions amounted to \$83,342 and \$80,663 in 2018 and 2017, respectively.

NOTE 12 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation approaches based on assumptions that market participants would use in pricing an asset or liability.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 – Fair Value Measurements (Continued)

The Financial Accounting Standards Board has established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are other observable inputs, such as quoted prices for similar instruments or quoted prices in markets that are not active.
- Level 3 inputs are unobservable inputs for the asset or liability.

Following is a description of valuation methodologies used for assets recorded at fair value. There have been no changes in methodologies used at June 30, 2018 and 2017.

Investments: Where quoted prices are available in active markets, investments are classified within level 1 of the valuation hierarchy. Level 1 securities include exchange traded equity and fixed income funds. If quoted market prices are not available for investments, then fair values are estimated using direct or indirect observations other than quoted market prices. These investments, recorded in level 2, include those in which the Foundation is a unit of account holder within a fund that holds underlying assets that are traded in active exchange markets with readily available pricing.

Contributions receivable from charitable remainder trusts: The fair value of the contributions receivable from charitable remainder trusts is estimated as the present value of the projected proceeds that will be received from the charitable remainder trust. The value of these trusts relies on the Foundation's own assumptions and, therefore, is classified within level 3 of the fair value hierarchy.

LIBRARY FOUNDATION OF LOS ANGELES

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 12 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2018 and 2017:

	Total Fair Value	Assets at Fair Value as of June 30, 2018		
		Level 1	Level 2	Level 3
Investments:				
US Treasury bonds	\$ 737,149	\$ 737,149	\$ -	\$ -
Corporate bonds-domestic	1,482,101	1,482,101	-	-
Mortgage securities	883,838	883,838	-	-
Foreign bonds	472,135	472,135	-	-
Equity funds	22,882,609	-	22,882,609	-
Fixed income	7,697,895	-	7,697,895	-
Hedge fund strategies	4,534,415	-	4,534,415	-
Income funds	5,623,603	-	5,623,603	-
	<u>44,313,745</u>	<u>3,575,223</u>	<u>40,738,522</u>	<u>-</u>
Interests in charitable remainder trusts	<u>500,397</u>	<u>-</u>	<u>-</u>	<u>500,397</u>
	<u>\$ 44,814,142</u>	<u>\$ 3,575,223</u>	<u>\$ 40,738,522</u>	<u>\$ 500,397</u>
	Total Fair Value	Assets at Fair Value as of June 30, 2017		
		Level 1	Level 2	Level 3
Investments:				
US Treasury bonds	\$ 619,844	\$ 619,844	\$ -	\$ -
Corporate bonds-domestic	1,764,229	1,764,229	-	-
Mortgage securities	988,384	988,384	-	-
Foreign bonds	526,680	526,680	-	-
Equity funds	24,463,152	-	24,463,152	-
Fixed income	8,489,509	-	8,489,509	-
Hedge fund strategies	3,656,757	-	3,656,757	-
Income funds	1,813,201	-	1,813,201	-
	<u>42,321,756</u>	<u>3,899,137</u>	<u>38,422,619</u>	<u>-</u>
Interests in charitable remainder trusts	<u>470,405</u>	<u>-</u>	<u>-</u>	<u>470,405</u>
	<u>\$ 42,792,161</u>	<u>\$ 3,899,137</u>	<u>\$ 38,422,619</u>	<u>\$ 470,405</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 12 – Fair Value Measurements (Continued)

Investments classified in level 2 consist of units in investment funds as opposed to direct investments in the funds' underlying holdings, which may be marketable. As the NAV reported by each fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in level 2 is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in level 2. The Foundation is invested in funds which generally trade on a monthly basis and require a week's notice to liquidate. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets.

Changes in Fair Value of Level 3 Assets

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets:

Balance, June 30, 2016	\$ 444,405
Unrealized gains relating to instruments still held at the reporting date	<u>26,000</u>
Balance, June 30, 2017	470,405
Unrealized gains relating to instruments still held at the reporting date	<u>29,992</u>
Balance, June 30, 2018	<u><u>\$ 500,397</u></u>