

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

Providing Support for the Los Angeles Public Library

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Financial Statements  
June 30, 2020 and 2019

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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, 2020 and 2019, 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 auditors consider 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.

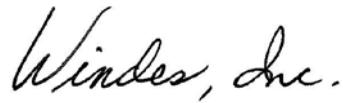
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, 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.

### *Emphasis-of-Matter*

As discussed in Note 1, during the year ended June 30, 2020, the Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.



Long Beach, California  
February 12, 2021

**LIBRARY FOUNDATION OF LOS ANGELES**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,228,129	\$ 845,486
Investments	44,699,404	45,443,409
Pledges receivable	1,577,150	2,727,098
Library store inventory	175,226	143,269
Property and equipment, net	396,593	451,986
Interests in charitable remainder trusts	514,037	510,510
Prepays	<u>274,262</u>	<u>78,918</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 50,864,801</u></u>	<u><u>\$ 50,200,676</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 149,754	\$ 126,220
Deferred revenue	164,500	661,793
Payroll Protection Program loan	<u>491,943</u>	<u>-</u>
Total Liabilities	<u>806,197</u>	<u>788,013</u>

**COMMITMENTS (Notes 8 and 11)**

**NET ASSETS**

Without donor restrictions		
Available for general operations	976,147	822,453
Board-directed endowment	<u>18,462,316</u>	<u>18,508,725</u>
	<u>19,438,463</u>	<u>19,331,178</u>
With donor restrictions		
Restricted for specific purpose	7,669,786	6,128,032
Endowment earnings for specific purposes	7,849,642	8,874,740
Endowment - perpetual restricted	<u>15,100,713</u>	<u>15,078,713</u>
	<u>30,620,141</u>	<u>30,081,485</u>
Total Net Assets	<u>50,058,604</u>	<u>49,412,663</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 50,864,801</u></u>	<u><u>\$ 50,200,676</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, 2020**

	<b>Without Donor Restrictions</b>		<b>With Donor Restrictions</b>	<b>Total</b>
	<b>Undesignated</b>	<b>Board Directed</b>		
<b>OPERATING ACTIVITIES:</b>				
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 2,119,653	\$ 793,876	\$ 2,959,562	\$ 5,873,091
Fund-raising events - net of direct expenses of \$328,864	-	-	1,064,135	1,064,135
Store revenue, net of discounts	458,672	-	-	458,672
	<u>2,578,325</u>	<u>793,876</u>	<u>4,023,697</u>	<u>7,395,898</u>
<b>NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:</b>				
Endowment appropriations	1,882,565	(846,754)	(1,035,811)	-
Satisfaction of donor intent	2,555,852	-	(2,555,852)	-
	<u>4,438,417</u>	<u>(846,754)</u>	<u>(3,591,663)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>7,016,742</u>	<u>(52,878)</u>	<u>432,034</u>	<u>7,395,898</u>
<b>EXPENSES</b>				
Program Services:				
Investing in Lifelong Learning	1,241,678			1,241,678
Engaging the Imagination	1,591,199			1,591,199
Helping Students Succeed	1,721,601			1,721,601
Library Store	523,529			523,529
Total Program Services	<u>5,078,007</u>			<u>5,078,007</u>
Supporting Services:				
General and administrative	794,945			794,945
Fund-raising	1,085,249			1,085,249
Total Supporting Services	<u>1,880,194</u>			<u>1,880,194</u>
<b>TOTAL EXPENSES</b>	<u>6,958,201</u>	<u>-</u>	<u>-</u>	<u>6,958,201</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>58,541</u>	<u>(52,878)</u>	<u>432,034</u>	<u>437,697</u>
<b>NONOPERATING ACTIVITIES:</b>				
Interest and dividends, net of fees	46,649	22,288	75,436	144,373
Net realized and unrealized gain (loss) on investments	48,504	(15,819)	27,659	60,344
Other adjustments	-	-	3,527	3,527
	<u>95,153</u>	<u>6,469</u>	<u>106,622</u>	<u>208,244</u>
<b>CHANGE IN NET ASSETS FROM OPERATING AND NONOPERATING ACTIVITIES</b>	<u>153,694</u>	<u>(46,409)</u>	<u>538,656</u>	<u>645,941</u>
<b>BEGINNING NET ASSETS</b>	<u>822,453</u>	<u>18,508,725</u>	<u>30,081,485</u>	<u>49,412,663</u>
<b>ENDING NET ASSETS</b>	<u>\$ 976,147</u>	<u>\$ 18,462,316</u>	<u>\$ 30,620,141</u>	<u>\$ 50,058,604</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, 2019**

	<b>Without Donor Restrictions</b>		<b>With Donor Restrictions</b>	<b>Total</b>
	<b>Undesignated</b>	<b>Board Directed</b>		
<b>OPERATING ACTIVITIES:</b>				
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,623,775	\$ -	\$ 3,667,704	\$ 5,291,479
Fund-raising events - net of direct expenses of \$207,215	368,306	-	223,355	591,661
Store revenue, net of discounts	600,087	-	-	600,087
	<u>2,592,168</u>	<u>-</u>	<u>3,891,059</u>	<u>6,483,227</u>
<b>NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:</b>				
Endowment appropriations	1,406,480	(660,748)	(745,732)	-
Satisfaction of donor intent	3,544,361	-	(3,544,361)	-
	<u>4,950,841</u>	<u>(660,748)</u>	<u>(4,290,093)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>7,543,009</u>	<u>(660,748)</u>	<u>(399,034)</u>	<u>6,483,227</u>
<b>EXPENSES</b>				
Program Services:				
Investing in Lifelong Learning	1,242,916			1,242,916
Engaging the Imagination	1,793,705			1,793,705
Helping Students Succeed	1,802,404			1,802,404
Library Store	597,078			597,078
Total Program Services	<u>5,436,103</u>			<u>5,436,103</u>
Supporting Services:				
General and administrative	924,859			924,859
Fund-raising	1,068,538			1,068,538
Total Supporting Services	<u>1,993,397</u>			<u>1,993,397</u>
<b>TOTAL EXPENSES</b>	<u>7,429,500</u>	<u>-</u>	<u>-</u>	<u>7,429,500</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>113,509</u>	<u>(660,748)</u>	<u>(399,034)</u>	<u>(946,273)</u>
<b>NONOPERATING ACTIVITIES:</b>				
Interest and dividends, net of fees	84,748	113,410	146,313	344,471
Net realized and unrealized gain on investments	77,572	1,078,848	1,371,565	2,527,985
Other adjustments	-	-	10,113	10,113
	<u>162,320</u>	<u>1,192,258</u>	<u>1,527,991</u>	<u>2,882,569</u>
<b>CHANGE IN NET ASSETS FROM OPERATING AND NONOPERATING ACTIVITIES</b>	<u>275,829</u>	<u>531,510</u>	<u>1,128,957</u>	<u>1,936,296</u>
<b>BEGINNING NET ASSETS</b>	<u>546,624</u>	<u>17,977,215</u>	<u>28,952,528</u>	<u>47,476,367</u>
<b>ENDING NET ASSETS</b>	<u>\$ 822,453</u>	<u>\$ 18,508,725</u>	<u>\$ 30,081,485</u>	<u>\$ 49,412,663</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, 2020**

	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	\$ 4,455	\$ 79,186	\$ 25,184	\$ -	\$ 108,825	\$ 1,803	\$ -	\$ 110,628
Computer equipment	94,298	30,131	37,331	-	161,760	5,527	5,527	172,814
Library collections	-	8,979	19,908	-	28,887	-	-	28,887
Events	770	265,202	20,583	-	286,555	-	-	286,555
Furniture and fixtures	37,715	10,275	525	-	48,515	5,122	-	53,637
Seminars, exhibits, and workshops	313,550	216,809	726,902	-	1,257,261	619	-	1,257,880
Salaries, payroll taxes, and benefits	780,818	968,128	879,819	207,263	2,836,028	514,335	939,484	4,289,847
Cost of goods sold	-	-	-	219,196	219,196	-	-	219,196
Rent	-	-	-	22,327	22,327	24,000	-	46,327
Other	-	-	-	49,565	49,565	77,866	105,538	232,969
Office administration and supplies	8,883	11,014	10,009	25,178	55,084	50,357	32,698	138,139
Consulting and outside services	-	-	-	-	-	102,811	-	102,811
Unrelated business income tax	1,189	1,475	1,340	-	4,004	2,002	2,002	8,008
Interest expense	-	-	-	-	-	941	-	941
Travel and related expenses	-	-	-	-	-	9,562	-	9,562
	<u>\$ 1,241,678</u>	<u>\$ 1,591,199</u>	<u>\$ 1,721,601</u>	<u>\$ 523,529</u>	<u>\$ 5,078,007</u>	<u>\$ 794,945</u>	<u>\$ 1,085,249</u>	<u>\$ 6,958,201</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, 2019**

	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	\$ 6,250	\$ 107,302	\$ 34,852	\$ -	\$ 148,404	\$ 4,676	\$ -	\$ 153,080
Computer equipment	55,387	74,052	33,245	-	162,684	5,483	5,483	173,650
Library collections	1,451	18,941	4,019	-	24,411	-	-	24,411
Events	-	305,981	31,158	-	337,139	-	36	337,175
Furniture and fixtures	645	2,098	12,878	-	15,621	4,291	-	19,912
Seminars, exhibits, and workshops	201,956	344,118	717,097	-	1,263,171	4,010	-	1,267,181
Salaries, payroll taxes, and benefits	967,899	932,230	959,905	190,668	3,050,702	516,649	946,080	4,513,431
Cost of goods sold	-	-	-	300,269	300,269	-	-	300,269
Rent	-	-	-	29,819	29,819	24,000	-	53,819
Other	-	-	-	58,474	58,474	48,812	84,005	191,291
Office administration and supplies	8,101	7,802	8,034	17,848	41,785	58,507	31,122	131,414
Consulting and outside services	-	-	-	-	-	69,845	-	69,845
Unrelated business income tax	1,227	1,181	1,216	-	3,624	1,812	1,812	7,248
Non-recurring HR/legal and other costs	-	-	-	-	-	171,387	-	171,387
Travel and related expenses	-	-	-	-	-	15,387	-	15,387
	<u>\$ 1,242,916</u>	<u>\$ 1,793,705</u>	<u>\$ 1,802,404</u>	<u>\$ 597,078</u>	<u>\$ 5,436,103</u>	<u>\$ 924,859</u>	<u>\$ 1,068,538</u>	<u>\$ 7,429,500</u>

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

**LIBRARY FOUNDATION OF LOS ANGELES**

**STATEMENTS OF CASH FLOWS**

	<b>For the Year Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 645,941	\$ 1,936,296
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	55,393	57,992
Net realized and unrealized gain on investments	(60,344)	(2,527,985)
Change in value of charitable remainder trusts	(3,527)	(10,113)
Changes in operating assets and liabilities:		
Pledges receivable	1,149,948	(324,910)
Library store inventory	(31,957)	(13,453)
Prepays	(195,344)	24,453
Accounts payable and accrued expenses	23,534	11,999
Deferred revenue	(497,293)	158,936
Net Cash Provided By (Used In) Operating Activities	1,086,351	(686,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale or maturity of investments	22,122,950	13,845,505
Purchases of investments	(21,318,601)	(12,447,184)
Net Cash Provided By Investing Activities	804,349	1,398,321
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Payroll Protection Program loan	491,943	-
Net Cash Provided By Financing Activities	491,943	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,382,643	711,536
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	845,486	133,950
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	\$ 3,228,129	\$ 845,486

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

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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.

*Foundation Risks Associated with the Impact of COVID-19 on Operations*

In March 2020, the World Health Organization declared the coronavirus (COVID-19), a global pandemic and public health emergency. Effective March 14, 2020, the Library has temporarily closed to the public. The Foundation continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible extensions to all or part of such closures. Because of the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the financial statements will change in the near term and the effect of such change could be material. The impact on the Foundation's operations could be significant and have a material impact on its financial position and operating results. There is significant uncertainty and management is in the process of evaluating the potential future impact on its programs and financial statements.

*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. 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. During COVID-19, the Library began offering Adult Literacy tutoring and classes online. The Foundation funded the distribution of laptops and wi-fi to learners to remove barriers from program participation in 2020-2021. The Library's Career Online High School program continued without interruption during the pandemic and had an increase in student enrollment. The Foundation also provides science, technology, engineering, art, and math projects via Full Steam Ahead program. The Full Steam Ahead, the Library's science literacy initiative, promptly moved select workshops, presentations, and events online during COVID-19. The Foundation offers a series of literacy-related activities for children through the use of Computer Aides/Cybernauts. The Cybernauts/Computer Aide initiative was temporarily unavailable during COVID-19 through January 2021.

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 – Organization and Programs (Continued)**

*Programs (Continued)*

**Engaging the Imagination** – Throughout the year, the Foundation brings many established and emerging authors, poets, journalists, academics, and artists for public events. The Foundation delivered pre-recorded ALOUD interviews online during COVID-19 and between March and June 2020. In summer 2020, ALOUD started offering live-streamed events online. 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. Starting in July 2020, the popular LA Made program offered by the Library shifted from in-person programming to delivering multi-cultural humanities programming virtually through the Library's streaming channels. The Foundation also provides resources to digitize physical collections to preserve the collection and offer accessibility via the Internet. Activities like this can be done in the new Octavia Lab, named for pioneering science fiction author Octavia Butler, a maker-space that gives library patrons various technological tools to inspire creativity. The Library postponed Library Foundation-funded Digitization projects during COVID-19; however, the Foundation plans to resume digitization in the fiscal year ended 2021.

**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. The Library began offering many of these programs virtually shortly after the pandemic-related Library closures.

## **LIBRARY FOUNDATION OF LOS ANGELES**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019**

#### **NOTE 1 – Organization and Programs (Continued)**

##### ***Programs (Continued)***

**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. As a result of the COVID-19, the Library Store was closed for 2 months and transitioned to online sales in the Spring. The Library Store has worked diligently through the fall 2020 to spread the word about the Library Store’s offerings, partnered with neighborhood organizations, and used closest partnerships to reach new audiences. The Library Store launched an online campaign and sent target emails through the Library’s Public Relations department to promote online sales in response to COVID-19 for the holiday season. In December 2020, the store participated in an event with the Los Angeles Philharmonic, Museum of Contemporary Art, and The Broad Museum to encourage shopping and supporting these Organizations which have been significant impacted by COVID-19.

#### **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 in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

## LIBRARY FOUNDATION OF LOS ANGELES

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Recently Adopted Accounting Pronouncements*

Beginning July 1, 2019, the Foundation adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and its related amendments, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. This ASU requires an entity to recognize revenue when goods are transferred or services are provided to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU permits the use of either a full-retrospective transition method or a modified-retrospective transition method with the cumulative effect adjusted to the opening balance of net assets. The Foundation has elected the use of the modified-retrospective method. The transition method selected resulted in no adjustment to the opening balance of net assets.

Beginning July 1, 2019, the Foundation also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions.

##### *Basis of Financial Statement Presentation*

Under the provisions of the Guide, the Foundation reports information regarding its financial position and activities according to two classes of net assets (without donor restrictions and with donor restrictions) based upon the existence and nature of donor-imposed restrictions.

**Net assets without donor restrictions** – Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Financial Statement Presentation (Continued)***

**Net assets with donor restrictions** – Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that may or will be met either by actions of the Foundation or the passage of time. Perpetuity restricted net assets include gifts and pledges, which require, by donor restriction, that the corpus be invested in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

***Contributions***

Contributions received are recorded as without donor restrictions or with donor restrictions 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.

***Store Revenue***

The Library Store (the Store) sells gifts and library-related items to promote awareness of the Library. The Foundation recognizes revenue when the products are sold at the store or shipped when purchased online, persuasive evidence of an arrangement exists, the price is fixed and collection is reasonably assured.

***Deferred Revenue***

Contributions related to special events are deferred as revenue until the special event occurs. At June 30, 2020, deferred revenue relates primarily to the Foundation's 2020 Literary Awards Celebration, the 2021 Literary Feasts and the 2021 Young Literati Toast. At June 30, 2019, deferred revenue relates primarily to the Foundation's 2019 Literary Feasts and the 2020 Young Literati Toast.

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Recognition of Donor Restrictions***

All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are reclassified to without donor-restricted net assets and reported in the statements of activities as net assets released from restriction/designation.

***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, 2020 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.



**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Investment Valuation and Market Risk (Continued)***

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.

***Pledges Receivable***

The Foundation considers all pledges receivable at June 30, 2020 and 2019 to be fully collectible. As of June 30, 2020 and 2019, there is no allowance for doubtful accounts.

***Library Store Inventory***

Inventory is stated at the lower of cost or net realizable value determined principally by use of the first-in, first-out method.

***Property and Equipment***

Property and equipment consists primarily of Library Store furniture and fixtures and 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, those with donor-restricted net assets are released from restriction/designation. (See Note 9.) In addition, the Foundation also expends unrestricted net assets for program services.

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***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.

***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 \$83,280 and \$86,985 of donated goods and professional services for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Recently Issued Accounting Pronouncements***

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 June 30, 2023. The new lease standard requires a modified-retrospective approach for all leases existing at, or entered into after, the date of initial adoption, with an option to elect the use of certain transition relief. The Foundation does not anticipate a significant impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

***Subsequent Events***

In preparing these financial statements, the Foundation’s management has evaluated events and transactions for potential recognition or disclosure through February 12, 2021, the date the financial statements were available to be issued.

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 – Liquidity and Funds Available**

The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside for long-term investing for board designated activities that could be drawn upon if the governing board approves that action.

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Financial assets:		
Cash and cash equivalents	\$ 3,228,129	\$ 845,486
Investments	44,699,404	45,443,409
Pledges receivable	1,577,150	2,727,098
Charitable remainder trusts	<u>514,037</u>	<u>510,510</u>
	<u>50,018,720</u>	<u>49,526,503</u>
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose and time restrictions	(30,620,141)	(30,081,485)
Board designations:		
Board designated - supporting foundation activities and education	(18,462,316)	(18,508,725)
Unrestricted pledges, payment due after June 30, 2021	<u>(550,000)</u>	<u>(1,087,000)</u>
	<u>(49,632,457)</u>	<u>(49,677,210)</u>
Board approved endowment appropriations (5% of earnings)	<u>914,403</u>	<u>864,988</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,300,666</u>	<u>\$ 714,281</u>

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 4 – Investments**

Investments consists of the following:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Investments:		
US Treasury bonds	\$ 1,350,816	\$ 489,743
Corporate bonds - domestic	955,413	1,147,476
Mortgage securities	744,264	945,125
Foreign bonds	286,240	473,801
Equity funds	22,981,810	23,571,825
Fixed income	5,952,939	6,296,969
Hedge fund strategies	4,267,169	4,494,699
Income funds	8,160,753	8,023,771
	<u>\$ 44,699,404</u>	<u>\$ 45,443,409</u>

Investment return consists of the following:

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 227,586	\$ 427,853
Investment management fees	(83,213)	(83,382)
	<u>144,373</u>	<u>344,471</u>
Net unrealized (loss) gain on investments	(668,759)	2,054,602
Net realized gain on investments	729,103	473,383
	<u>60,344</u>	<u>2,527,985</u>
	<u>\$ 204,717</u>	<u>\$ 2,872,456</u>

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 5 – 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.

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, 2020 and 2019.

*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, 2020 AND 2019**

**NOTE 5 – 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, 2020 and 2019:

	<b>Total Fair Value</b>	<b>Assets at Fair Value as of June 30, 2020</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments:</b>				
US Treasury bonds	\$ 1,350,816	\$ 1,350,816	\$ -	\$ -
Corporate bonds-domestic	955,413	955,413	-	-
Mortgage securities	744,264	744,264	-	-
Foreign bonds	286,240	286,240	-	-
Equity funds	22,981,810	-	22,981,810	-
Fixed income	5,952,939	-	5,952,939	-
Hedge fund strategies	4,267,169	-	4,267,169	-
Income funds	8,160,753	-	8,160,753	-
	<u>44,699,404</u>	<u>3,336,733</u>	<u>41,362,671</u>	<u>-</u>
Interests in charitable remainder trusts	<u>514,037</u>	<u>-</u>	<u>-</u>	<u>514,037</u>
	<u>\$ 45,213,441</u>	<u>\$ 3,336,733</u>	<u>\$ 41,362,671</u>	<u>\$ 514,037</u>
	<b>Total Fair Value</b>	<b>Assets at Fair Value as of June 30, 2019</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments:</b>				
US Treasury bonds	\$ 489,743	\$ 489,743	\$ -	\$ -
Corporate bonds-domestic	1,147,476	1,147,476	-	-
Mortgage securities	945,125	945,125	-	-
Foreign bonds	473,801	473,801	-	-
Equity funds	23,571,825	-	23,571,825	-
Fixed income	6,296,969	-	6,296,969	-
Hedge fund strategies	4,494,699	-	4,494,699	-
Income funds	8,023,771	-	8,023,771	-
	<u>45,443,409</u>	<u>3,056,145</u>	<u>42,387,264</u>	<u>-</u>
Interests in charitable remainder trusts	<u>510,510</u>	<u>-</u>	<u>-</u>	<u>510,510</u>
	<u>\$ 45,953,919</u>	<u>\$ 3,056,145</u>	<u>\$ 42,387,264</u>	<u>\$ 510,510</u>

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 5 – 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, 2018	\$ 500,397
Unrealized gains relating to instruments still held at the reporting date	<u>10,113</u>
Balance, June 30, 2019	510,510
Unrealized gains relating to instruments still held at the reporting date	<u>3,527</u>
Balance, June 30, 2020	<u>\$ 514,037</u>

**NOTE 6 – Pledges Receivable**

Pledges receivable outstanding at June 30, 2020 are expected to be collected as follows:

Within one year	\$ 897,150
Between two and five years	130,000
Over five years	<u>550,000</u>
	<u>\$ 1,577,150</u>



**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 7 – 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 with donor 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.

Beneficial interests in charitable remainder trusts totaled \$514,037 and \$510,510 at June 30, 2020 and 2019, respectively, representing the portion of the charitable remainder trusts for which the Foundation is the designated beneficiary.

**NOTE 8 – Paycheck Protection Program Loan**

In March 2020, Congress passed the Paycheck Protection Program, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. In April 2020, the Foundation successfully secured a \$491,002 Small Business Association (“SBA”) loan under the Paycheck Protection Program. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified non-payroll costs (provided any non-payroll costs do not exceed 40% of the forgiven amount) over a 24-week period after the loan is made; and employee and compensation levels are maintained. The Foundation intends to comply with the above terms in order to qualify for full or partial loan forgiveness. To the extent it is not forgiven, the Foundation would be required to repay that portion at an interest rate of 1% over a period of two years, with a final installment estimated by April 2022. During the year ended June 30, 2020, the Foundation has accrued interest expense of \$941. As of the issuance of these financial statements the Foundation has not made any payments on the balance of the loan or applied for loan forgiveness.

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 9 – Net Assets**

The following is a summary of the Foundation’s net assets:

Net assets without donor restrictions are as follows:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Undesignated	\$ 976,147	\$ 822,453
Board-designated endowment fund supporting priority program and foundation activities	14,880,398	14,759,960
Victoria E. Foote endowment fund supporting students pursuing their educational goals	<u>3,581,918</u>	<u>3,748,765</u>
	<u>\$ 19,438,463</u>	<u>\$ 19,331,178</u>

Net assets with donor restrictions restricted for a specific purpose are as follows:

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Investing in Lifelong Learning	\$ 1,866,334	\$ 1,588,752
Engaging the Imagination	1,775,649	1,758,533
Helping Students Succeed	2,159,094	1,760,063
Literary and other programs	1,868,709	1,020,684
Earnings on endowments	<u>7,849,642</u>	<u>8,874,740</u>
	<u>\$ 15,519,428</u>	<u>\$ 15,002,772</u>

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 – Net Assets (Continued)**

Net assets were released from donor restrictions on contributions satisfying the restricted purposes specified by the donors as follows:

	<b>For the Year Ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
Investing in Lifelong Learning	\$ 828,907	\$ 824,243
Engaging the Imagination	1,098,846	1,293,628
Helping Students Succeed	1,444,273	1,822,607
Literary and other programs	219,637	349,615
	<b>\$ 3,591,663</b>	<b>\$ 4,290,093</b>

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

	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
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 Summer Reading Endowment	1,000,000	1,000,000
Future Leaders The Democracy Project Endowment	1,500,000	1,500,000
Edythe Broad Technology Endowment	1,000,000	1,000,000
Gregory Peck Literary Endowment	833,949	833,949
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 ALOUD Endowment	50,000	50,000
Lynn Strasburg Miller Endowment	102,000	90,000
Dean Hansell Endowment	60,000	50,000
Sharon Oxborough Adult Literacy Endowment	50,000	50,000
	<b>\$ 15,100,713</b>	<b>\$ 15,078,713</b>

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 9 – Net Assets (Continued)**

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 Funds were established for the purpose of bringing noted authors to the branches of the Los Angeles Public Library’s children and teen Summer and Winter Reading programs 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 restricted in perpetuity and only earnings from the Future Leaders Endowed Funds 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 restricted in perpetuity and only earnings from the Edythe Broad Technology Endowed Fund for Students are designated to support this program.

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 restricted in perpetuity 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 restricted in perpetuity and only earnings from the Clare Hutto-Patterson Endowed Fund are designated to support Live Homework Help.

## LIBRARY FOUNDATION OF LOS ANGELES

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

#### NOTE 9 – Net Assets (Continued)

The Sharon Oxborough Endowed Fund was established for the purpose of supporting the Foundation's signature literary series, ALOUD. A second Sharon Oxborough Endowed Fund was established for the purpose of supporting the Los Angeles Public Library's Adult Literacy program. These gifts are restricted in perpetuity and only earnings from the Sharon Oxborough Endowed Funds are designated to support these programs.

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 restricted in perpetuity 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 restricted in perpetuity and only earnings from the Dean Hansell Endowed Fund for Adult Literacy are designated to support the program.

#### NOTE 10 – 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 perpetuity 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 perpetually restricted net assets is classified as with donor restricted for specific purpose net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**LIBRARY FOUNDATION OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 10 – Endowment (Continued)**

*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.

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. For the years ended June 30, 2020 and 2019, the Foundation's board approved a 5% and 4% appropriation rate, respectively. For the fiscal year ending June 30, 2021, the Board approved a 5% appropriation rate. 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 with donor restricted net assets.

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 – Endowment (Continued)**

*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, 2020 and 2019.

*Amounts Appropriated for Expenditure*

The amounts appropriated for expenditure during the year ended June 30, 2020 were \$846,754 from the Board Directed Endowment funds and \$1,035,811 from Donor Designated Endowment funds. The amounts appropriated for expenditure during the year ended June 30, 2019 were \$660,748 from the Board Directed Endowment funds and \$745,732 from Donor Designated Endowment funds. These amounts are reflected in the accompanying statement of activities within net assets released from restriction/designation.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>At June 30, 2020:</b>			
Board-designated	<u>\$ 18,462,316</u>	<u>\$ -</u>	<u>\$ 18,462,316</u>
Donor-designated:			
Donor endowed fund earnings restricted	-	7,849,642	7,849,642
Perpetuity restricted	<u>-</u>	<u>15,100,713</u>	<u>15,100,713</u>
Total endowment funds	<u>\$ 18,462,316</u>	<u>\$ 22,950,355</u>	<u>\$ 41,412,671</u>
<b>At June 30, 2019:</b>			
Board-designated	<u>\$ 18,508,725</u>	<u>\$ -</u>	<u>\$ 18,508,725</u>
Donor-designated:			
Donor endowed fund earnings restricted	-	8,874,740	8,874,740
Perpetuity restricted	<u>-</u>	<u>15,078,713</u>	<u>15,078,713</u>
Total endowment funds	<u>\$ 18,508,725</u>	<u>\$ 23,953,453</u>	<u>\$ 42,462,178</u>

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 – Endowment (Continued)**

*Amounts Appropriated for Expenditure (Continued)*

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	<u>\$ 18,508,725</u>	<u>\$ 23,953,453</u>	<u>\$ 42,462,178</u>
Investment return:			
Interest and dividends	22,288	29,911	52,199
Net depreciation	<u>(15,819)</u>	<u>(19,198)</u>	<u>(35,017)</u>
Total investment return	<u>6,469</u>	<u>10,713</u>	<u>17,182</u>
Contributions	<u>793,876</u>	<u>22,000</u>	<u>815,876</u>
Amounts appropriated for expenditure	<u>(846,754)</u>	<u>(1,035,811)</u>	<u>(1,882,565)</u>
End of year	<u>\$ 18,462,316</u>	<u>\$ 22,950,355</u>	<u>\$ 41,412,671</u>



**LIBRARY FOUNDATION OF LOS ANGELES**  
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**JUNE 30, 2020 AND 2019**

**NOTE 10 – Endowment (Continued)**

*Amounts Appropriated for Expenditure (Continued)*

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 17,977,215	\$ 23,404,763	\$ 41,381,978
Investment return:			
Interest and dividends	113,410	146,313	259,723
Net appreciation	<u>1,078,848</u>	<u>1,371,565</u>	<u>2,450,413</u>
Total investment return	<u>1,192,258</u>	<u>1,517,878</u>	<u>2,710,136</u>
Contributions	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Satisfaction of donor intent	<u>-</u>	<u>(293,456)</u>	<u>(293,456)</u>
Amounts appropriated for expenditure	<u>(660,748)</u>	<u>(745,732)</u>	<u>(1,406,480)</u>
End of year	<u>\$ 18,508,725</u>	<u>\$ 23,953,453</u>	<u>\$ 42,462,178</u>

**NOTE 11 – Los Angeles Public Library**

The Foundation has an agreement with the Library to pay rent for the Library Store at the rate of 5% of gross Library Store sales. The rent expense incurred for the years ended June 30, 2020 and 2019 amounted to \$22,327 and \$29,819, 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, 2020 and 2019, for the donated space. Such in-kind support is offset by like amounts included in expenses.

**LIBRARY FOUNDATION OF LOS ANGELES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 12 – 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 \$81,176 and \$77,285 in 2020 and 2019, respectively.