

Library
Foundation
of LOS ANGELES

Providing Support for the Los Angeles Public Library

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Library Foundation of Los Angeles

Opinion

We have audited the accompanying financial statements of Library Foundation of Los Angeles (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Library Foundation of Los Angeles (the Foundation) as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Long Beach, California
January 27, 2023

LIBRARY FOUNDATION OF LOS ANGELES

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,275,447	\$ 4,729,269
Investments	54,359,270	55,620,743
Pledges receivable	941,901	2,235,462
Employee Retention Credit receivable	434,135	-
Library store inventory	120,348	158,773
Property and equipment, net	328,087	359,630
Interests in charitable remainder trusts	441,554	593,914
Prepays and other assets	48,870	113,065
TOTAL ASSETS	\$ 59,949,612	\$ 63,810,856

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 266,991	\$ 157,447
Deferred revenue	30,000	20,000
Paycheck Protection Program loan	-	498,912
Total Liabilities	296,991	676,359

COMMITMENTS (Notes 12 and 13)

NET ASSETS

Without donor restrictions		
Available for general operations	889,870	2,614,394
Board-directed endowment	21,411,215	22,638,786
	22,301,085	25,253,180
With donor restrictions		
Restricted for specific purpose	9,096,582	7,705,586
Endowment earnings for specific purposes	11,020,041	13,042,887
Endowment - perpetually restricted	17,234,913	17,132,844
	37,351,536	37,881,317
Total Net Assets	59,652,621	63,134,497

TOTAL LIABILITIES AND NET ASSETS	\$ 59,949,612	\$ 63,810,856
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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, 2022

	Without Donor Restrictions				
	Undesignated	Board Directed	With Donor Restrictions	Total	
OPERATING ACTIVITIES:					
SUPPORT AND REVENUE					
Contributions	\$ 1,213,420	\$ 393,200	\$ 3,397,718	\$ 5,004,338	
Fund-raising events, net of direct expenses of \$131,805	-	-	249,170	249,170	
Store revenue, net of discounts	283,585	-	-	283,585	
	1,497,005	393,200	3,646,888	5,537,093	
NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:					
Endowment appropriations	1,994,642	(917,632)	(1,077,010)	-	
Satisfaction of donor intent	2,148,190	-	(2,148,190)	-	
	4,142,832	(917,632)	(3,225,200)	-	
TOTAL SUPPORT AND REVENUE	5,639,837	(524,432)	421,688	5,537,093	
EXPENSES					
Program Services:					
Investing in Lifelong Learning	1,334,751			1,334,751	
Engaging the Imagination	1,281,102			1,281,102	
Helping Students Succeed	1,639,114			1,639,114	
Library Store	510,570			510,570	
Total Program Services	4,765,537			4,765,537	
Supporting Services:					
General and administrative	2,130,262			2,130,262	
Fund-raising	1,349,772			1,349,772	
Total Supporting Services	3,480,034			3,480,034	
TOTAL EXPENSES	8,245,571	-	-	8,245,571	
CHANGE IN NET ASSETS FROM OPERATIONS	(2,605,734)	(524,432)	421,688	(2,708,478)	
NONOPERATING ACTIVITIES:					
Interest and dividends, net of fees	64,740	163,157	203,093	430,990	
Net realized and unrealized loss on investments	(262,442)	(866,296)	(1,154,562)	(2,283,300)	
Employee Retention Credit income	580,000	-	-	580,000	
PPP loan forgiveness income	498,912	-	-	498,912	
	881,210	(703,139)	(951,469)	(773,398)	
CHANGE IN NET ASSETS FROM OPERATING AND NONOPERATING ACTIVITIES	(1,724,524)	(1,227,571)	(529,781)	(3,481,876)	
BEGINNING NET ASSETS	2,614,394	22,638,786	37,881,317	63,134,497	
ENDING NET ASSETS	\$ 889,870	\$ 21,411,215	\$ 37,351,536	\$ 59,652,621	

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, 2021**

	Without Donor Restrictions				
	Undesignated	Board Directed	With Donor Restrictions	Total	
OPERATING ACTIVITIES:					
SUPPORT AND REVENUE					
Contributions	\$ 1,842,087	\$ 8,750	\$ 4,212,961	\$ 6,063,798	
Fund-raising events - net of direct expenses of \$16,124	371,703	-	260,686	632,389	
Store revenue, net of discounts	180,510	-	-	180,510	
	<u>2,394,300</u>	<u>8,750</u>	<u>4,473,647</u>	<u>6,876,697</u>	
NET ASSETS RELEASED FROM RESTRICTION/DESIGNATION:					
Endowment appropriations	2,022,758	(899,061)	(1,123,697)	-	
Satisfaction of donor intent	2,485,592	-	(2,485,592)	-	
	<u>4,508,350</u>	<u>(899,061)</u>	<u>(3,609,289)</u>	<u>-</u>	
TOTAL SUPPORT AND REVENUE	<u>6,902,650</u>	<u>(890,311)</u>	<u>864,358</u>	<u>6,876,697</u>	
EXPENSES					
Program Services:					
Investing in Lifelong Learning	872,163			872,163	
Engaging the Imagination	1,027,357			1,027,357	
Helping Students Succeed	1,817,279			1,817,279	
Library Store	308,224			308,224	
Total Program Services	<u>4,025,023</u>			<u>4,025,023</u>	
Supporting Services:					
General and administrative	691,150			691,150	
Fund-raising	1,040,306			1,040,306	
Total Supporting Services	<u>1,731,456</u>			<u>1,731,456</u>	
TOTAL EXPENSES	<u>5,756,479</u>	<u>-</u>	<u>-</u>	<u>5,756,479</u>	
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,146,171</u>	<u>(890,311)</u>	<u>864,358</u>	<u>1,120,218</u>	
NONOPERATING ACTIVITIES:					
Interest and dividends, net of fees	32,897	142,715	212,815	388,427	
Net realized and unrealized gain (loss) on investments	(31,823)	4,924,066	6,104,127	10,996,370	
Other adjustments	-	-	79,876	79,876	
PPP loan forgiveness income	491,002	-	-	491,002	
	<u>492,076</u>	<u>5,066,781</u>	<u>6,396,818</u>	<u>11,955,675</u>	
CHANGE IN NET ASSETS FROM OPERATING AND NONOPERATING ACTIVITIES	<u>1,638,247</u>	<u>4,176,470</u>	<u>7,261,176</u>	<u>13,075,893</u>	
BEGINNING NET ASSETS	<u>976,147</u>	<u>18,462,316</u>	<u>30,620,141</u>	<u>50,058,604</u>	
ENDING NET ASSETS	<u>\$ 2,614,394</u>	<u>\$ 22,638,786</u>	<u>\$ 37,881,317</u>	<u>\$ 63,134,497</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, 2022**

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Investing in Lifelong Learning</u>	<u>Engaging the Imagination</u>	<u>Helping Students Succeed</u>	<u>Library Store</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Collateral material and promotions	\$ -	\$ 12,185	\$ 38,309	\$ 7,212	\$ 57,706	\$ -	\$ 17,207	\$ 74,913
Computer equipment	221,296	5,942	73,203	1,760	302,201	72,711	17,376	392,288
Library collections	68,926	92,774	20,385	-	182,085	-	-	182,085
Events	-	29,831	5,000	-	34,831	-	223,106	257,937
Furniture and fixtures	195,505	38,253	1,036	1,820	236,614	-	-	236,614
Seminars, exhibits, and workshops	72,270	76,334	401,567	-	550,171	1,209	506	551,886
Salaries, payroll taxes, and benefits	139,797	566,195	254,240	242,275	1,202,507	1,406,668	1,001,116	3,610,291
Program materials	97,606	27,940	381,816	-	507,362	-	15,458	522,820
Cost of goods sold	-	-	-	183,044	183,044	-	-	183,044
Rent	-	-	-	13,929	13,929	24,000	-	37,929
Other	36,167	56,263	41,138	27,132	160,700	18,463	-	179,163
Office administration and supplies	-	11	-	5,744	5,755	8,842	7,253	21,850
Consulting and outside services	503,184	373,645	422,420	1,238	1,300,487	562,503	12,000	1,874,990
Insurance	-	-	-	1,721	1,721	11,507	-	13,228
Depreciation	-	-	-	23,466	23,466	11,575	-	35,041
Bank Fees	-	-	-	-	-	50	21,733	21,783
Donor relations	-	-	-	-	-	-	33,123	33,123
Travel and related expenses	-	1,729	-	1,229	2,958	12,734	894	16,586
	<u>\$ 1,334,751</u>	<u>\$ 1,281,102</u>	<u>\$ 1,639,114</u>	<u>\$ 510,570</u>	<u>\$ 4,765,537</u>	<u>\$ 2,130,262</u>	<u>\$ 1,349,772</u>	<u>\$ 8,245,571</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, 2021**

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Investing in Lifelong Learning</u>	<u>Engaging the Imagination</u>	<u>Helping Students Succeed</u>	<u>Library Store</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Collateral material and promotions	\$ 35,090	\$ 18,990	\$ 32,877	\$ -	\$ 86,957	\$ 911	\$ -	\$ 87,868
Computer equipment	68,986	21,723	46,651	-	137,360	17,477	17,477	172,314
Library collections	1,859	-	19,908	-	21,767	-	-	21,767
Events	-	39,947	15,299	-	55,246	-	-	55,246
Furniture and fixtures	133,570	-	524	-	134,094	70	-	134,164
Seminars, exhibits, and workshops	221,044	9,471	696,866	-	927,381	2,052	-	929,433
Salaries, payroll taxes, and benefits	409,568	932,568	1,000,159	155,284	2,497,579	505,481	961,470	3,964,530
Cost of goods sold	-	-	-	99,122	99,122	-	-	99,122
Rent	-	-	-	-	-	24,000	-	24,000
Other	-	-	-	4,145	4,145	5,687	38,221	48,053
Office administration and supplies	3,379	7,694	8,251	24,920	44,244	18,158	25,868	88,270
Depreciation	-	-	-	24,753	24,753	12,210	-	36,963
Consulting and outside services	-	-	-	-	-	108,916	1,082	109,998
Unrelated business income tax tax credit	(1,333)	(3,036)	(3,256)	-	(7,625)	(3,812)	(3,812)	(15,249)
	<u>\$ 872,163</u>	<u>\$ 1,027,357</u>	<u>\$ 1,817,279</u>	<u>\$ 308,224</u>	<u>\$ 4,025,023</u>	<u>\$ 691,150</u>	<u>\$ 1,040,306</u>	<u>\$ 5,756,479</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,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,481,876)	\$ 13,075,893
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	35,041	36,963
Net realized and unrealized loss (gain) on investments	2,283,300	(10,996,370)
Change in value of charitable remainder trusts	-	(79,876)
Redemption of charitable remainder trusts	152,360	-
Paycheck Protection Program loan forgiveness	(498,912)	(491,002)
Paycheck Protection Program loan interest forgiveness	-	(941)
Employee Retention Credit income	(580,000)	-
Contributions restricted to endowment funds	(102,069)	(2,032,131)
Changes in operating assets and liabilities:		
Pledges receivable	1,293,561	(658,312)
Library store inventory	38,425	16,453
Prepays and other assets	64,195	161,196
Accounts payable and accrued expenses	109,544	7,693
Deferred revenue	10,000	(144,500)
Net Cash Used In Operating Activities	(676,431)	(1,104,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale or maturity of investments	1,994,642	2,105,221
Purchases of investments	(3,016,469)	(2,030,190)
Purchases of property and equipment	(3,498)	-
Net Cash (Used In) Provided By Investing Activities	(1,025,325)	75,031
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	498,912
Proceeds from Employee Retention Credit	145,865	-
Contributions restricted to endowment funds	102,069	2,032,131
Net Cash Provided By Financing Activities	247,934	2,531,043
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,453,822)	1,501,140
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,729,269	3,228,129
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 3,275,447	\$ 4,729,269

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

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – Organization and Programs

Organization

The Library Foundation of Los Angeles (the Foundation or LFLA) 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 (LAPL or Library). The Foundation seeks to provide a continuous and dependable source of funding for long- and short-term projects that help students succeed, invest in lifelong learning, and engage the imagination of the people of Los Angeles (the City of L.A.) and beyond.

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 in its multitude of forms. The Adult Literacy initiative offers one-on-one tutoring to adults reading below the sixth-grade equivalency. The initiative also provides coaching to help adults who struggle with literacy support their children’s early literacy development. Additional Adult Literacy components include drop-in tutoring, topical seminars and classes, and English-as-another-language services to help adults increase English-language fluency or become literate in their native language. Career Online High School gives adults another chance to earn an accredited high-school diploma. Cybernauts at 37 libraries and also through remote service, promotes digital literacy to help patrons use computers to find information and complete tasks. The Foundation supports LAPL’s efforts to address digital equity citywide by circulating high-speed mobile hotspots and laptops at no cost to those who need digital access. Also, LAPL’s Full STEAM Ahead initiative promotes science literacy by offering children, adults, and families with activities to inspire their creativity, explore neighborhood science, and problem solve.

LIBRARY FOUNDATION OF LOS ANGELES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – Organization and Programs (Continued)

Programs (Continued)

Engaging the Imagination – Through its acclaimed ALOUD cultural programming series, LFLA brings renowned and emerging literary artists, filmmakers, scientists, musicians, policymakers, and other luminous minds in direct conversation with Library patrons. The Foundation supports LAPL's L.A. Made series that delivers humanities programming, performances, and activities to the City's diverse communities. The Foundation and LAPL's exhibitions highlight LAPL's historic collections, the diverse stories and people of L.A., and contemporary issues that resonate with our lives. From May to November 2022, the Foundation presented an exhibition at the LA Central Library entitled, "Something in Common". Through an eclectic and wide range of stories about local clubs and community groups, this exhibition examined the things that bring people together and celebrated the role of the public library as a safe space of connection for all. The Foundation also supports digitization projects at LAPL that archive and preserve collections of photos, ephemera, maps, and other items so that they can be accessed online by researchers, students, and any other curious minds. Finally, the Foundation helps LAPL develop new spaces to help L.A. residents make and create using state-of-the-art modeling and fabrication tools and audio/visual recording equipment in areas like the Octavia Lab at the downtown Central Library.

Helping Students Succeed – The Foundation helps LAPL present a range of public services and programs to support early literacy and social development for children ages 0-5, academic support for children and teens, civic learning and experiences for teens, and college preparatory resources for youth and their families. LAPL's We Read Together initiative provides information, resources, and activities for parents and caregivers to learn and practice early literacy techniques with children ages 0-5. With the Foundation's support, LAPL offers daily story times where librarians model how to read aloud, workshops that help parents integrate early literacy into their children's daily lives, and an outreach service called Read Baby Read that delivers critical information and resources to new and expectant parents on the importance of literacy from birth. The Foundation supports school-age youth in multiple ways, including helping LAPL deliver expert online private tutoring to all K-12 youth with a Library card between 11 am and 11 pm, daily, Student Zones that provide dedicated and direct access to computers and in-person homework at 38 local libraries in low-income communities, and college-prep services to help youth and families prepare for college. The Teens Leading Change program provides LFLA-funded mini-grants to groups of youth and librarians to research and pilot strategies to address social issues in their communities.

LIBRARY FOUNDATION OF LOS ANGELES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – Organization and Programs (Continued)

Programs (Continued)

Library Store – The Foundation operates a gift shop located in the historic Central Library. The Library Store was remodeled in 2016, after 18 years, to refresh its appearance and bring it into full ADA compliance. Store sales support the Foundation. Foot traffic in the store has been impacted by office closures in the surrounding area and continues to impact sales. The Store is working on a variety of responses to mitigate the decline in foot traffic including building its customer marketing list, building up its online presence, sending weekly emails and maintaining a regular presence on social media. The Store works with the Library's PR Department to heighten visibility among LAPL constituents via the LAPL website and social media platforms. Additionally, the Store works with the Library to promote shopping to all L.A. City employees twice yearly. In addition to in store and online sales, the Store procures and sells books for Foundation and LAPL programming. In December 2022, the Store partnered with Silverstein Properties to create a "gallery" space with merchandise provided by the Store for purchasing online. The Library Store is working to expand the production of branded custom merchandise and continues to offer merchandise related to LAPL, Los Angeles and reading and writing.

NOTE 2 – Summary of Significant Accounting Policies

Basis 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.

Recently Adopted Accounting Pronouncement

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, disaggregate the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets, and provide additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Foundation adopted the standard during the year ended June 30, 2022. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

LIBRARY FOUNDATION OF LOS ANGELES

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

Net assets with donor restrictions – Net assets with donor restrictions represent net assets subject to donor-imposed restrictions that 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. Deferred revenue relates primarily to the Foundation’s Literary Awards Celebration, Literary Feasts and the Young Literati Toast.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 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, 2022 AND 2021

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, 2022 and 2021 to be fully collectible. As of June 30, 2022 and 2021, 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, 2022 AND 2021

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 these amounts are legal services from related parties. Such in-kind support is offset by like amounts included in program and administrative expenses. For the years ended June 30, 2022 and 2021, the Organization received donated services of \$29,100 and \$25,092, respectively, which is included in contributions on the statements of activities.

LIBRARY FOUNDATION OF LOS ANGELES

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years (effective July 1, 2022). 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 January 27, 2023, the date the financial statements were available to be issued.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

	June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,275,447	\$ 4,729,269
Investments	54,359,270	55,620,743
Pledges receivable	941,901	2,235,462
Employee Retention Credit receivable	434,135	-
Charitable remainder trusts	441,554	593,914
	<u>59,452,307</u>	<u>63,179,388</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	(37,351,536)	(37,881,317)
Board designations:		
Board designated - supporting foundation activities and education	(21,411,215)	(22,638,786)
Unrestricted pledges, payment due after a year	(350,000)	(550,000)
	<u>(59,112,751)</u>	<u>(61,070,103)</u>
Board-approved endowment appropriations	3,243,888	2,074,566
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,583,444</u>	<u>\$ 4,183,851</u>

LIBRARY FOUNDATION OF LOS ANGELES

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 – Investments

Investments consists of the following:

	June 30,	
	2022	2021
Investments:		
US Treasury bonds	\$ 2,472,036	\$ 2,231,987
Corporate bonds – domestic	948,993	992,374
Mortgage securities	152,438	514,286
Foreign bonds	85,137	92,579
Equity funds	27,172,536	29,766,722
Fixed income	10,131,592	9,227,115
Hedge fund strategies	5,130,792	7,645,951
Income funds	8,265,746	5,149,729
	<u>\$ 54,359,270</u>	<u>\$ 55,620,743</u>

Investment return consists of the following:

	For the Year Ended June 30,	
	2022	2021
Interest and dividends	\$ 569,503	\$ 505,092
Investment management fees	<u>(138,513)</u>	<u>(116,665)</u>
	430,990	388,427
Net unrealized (loss) gain on investments	(3,271,700)	9,220,258
Net realized gain on investments	<u>988,400</u>	<u>1,776,112</u>
	<u>(2,283,300)</u>	<u>10,996,370</u>
	<u>\$ (1,852,310)</u>	<u>\$ 11,384,797</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021.

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, 2022 AND 2021**

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, 2022 and 2021:

	Total Fair Value	Assets at Fair Value as of June 30, 2022		
		Level 1	Level 2	Level 3
Investments:				
US Treasury bonds	\$ 2,472,036	\$ 2,472,036	\$ -	\$ -
Corporate bonds-domestic	948,993	948,993	-	-
Mortgage securities	152,438	152,438	-	-
Foreign bonds	85,137	85,137	-	-
Equity funds	27,172,536	-	27,172,536	-
Fixed income	10,131,592	-	10,131,592	-
Hedge fund strategies	5,130,792	-	5,130,792	-
Income funds	8,265,746	-	8,265,746	-
	<u>54,359,270</u>	<u>3,658,604</u>	<u>50,700,666</u>	<u>-</u>
Interests in charitable remainder trusts				
	<u>441,554</u>	<u>-</u>	<u>-</u>	<u>441,554</u>
	<u>\$ 54,800,824</u>	<u>\$ 3,658,604</u>	<u>\$ 50,700,666</u>	<u>\$ 441,554</u>
	Total Fair Value	Assets at Fair Value as of June 30, 2021		
		Level 1	Level 2	Level 3
Investments:				
US Treasury bonds	\$ 2,231,987	\$ 2,231,987	\$ -	\$ -
Corporate bonds-domestic	992,374	992,374	-	-
Mortgage securities	514,286	514,286	-	-
Foreign bonds	92,579	92,579	-	-
Equity funds	29,766,722	-	29,766,722	-
Fixed income	9,227,115	-	9,227,115	-
Hedge fund strategies	7,645,951	-	7,645,951	-
Income funds	5,149,729	-	5,149,729	-
	<u>55,620,743</u>	<u>3,831,226</u>	<u>51,789,517</u>	<u>-</u>
Interests in charitable remainder trusts				
	<u>593,914</u>	<u>-</u>	<u>-</u>	<u>593,914</u>
	<u>\$ 56,214,657</u>	<u>\$ 3,831,226</u>	<u>\$ 51,789,517</u>	<u>\$ 593,914</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2020	\$ 514,038
Unrealized gains relating to instruments still held at the reporting date	<u>79,876</u>
Balance, June 30, 2021	593,914
Redemptions	<u>(152,360)</u>
Balance, June 30, 2022	<u>\$ 441,554</u>

NOTE 6 – Pledges Receivable

Pledges receivable outstanding at June 30, 2022 are expected to be collected as follows:

Within one year	\$ 591,901
Between two and five years	-
Over five years	<u>350,000</u>
	<u>\$ 941,901</u>

LIBRARY FOUNDATION OF LOS ANGELES

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 – Employee Retention Credits

The Employee Retention Credit (ERC) was enacted in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and amended in December 2020, by the Taxpayer Certainty and Disaster Tax Relief Act (TCDTR Act). The ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees in calendar year 2020 (between March 2020 and before January 2021) and 70% of the qualified wages in calendar year 2021.

During the year ended June 30, 2022, the Foundation recognized \$580,000 of refundable employee retention credits claimed under provisions of the CARES Act and TCDTR Act on the accompanying statement of activities. As of June 30, 2022, the Organization has collected \$145,865 and has recognized a receivable of \$434,135 on the accompanying statement of financial position.

NOTE 8 – 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 \$441,554 and \$593,914 at June 30, 2022 and 2021, respectively, representing the portion of the charitable remainder trusts for which the Foundation is the designated beneficiary.

NOTE 9 – Paycheck Protection Program

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 Administration (“SBA”) loan under the Paycheck Protection Program. The Foundation complied with the terms to qualify for full loan forgiveness. In June 2021, the Library received notification the loan was forgiven and recognized PPP loan forgiveness income of \$491,002 on the accompanying statement of activities for the year ended June 30, 2021.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – Paycheck Protection Program (Continued)

In January 2021, the SBA announced a second draw of PPP loans for eligible entities. In April 2021, the Foundation was approved to receive \$498,912 of PPP funds. 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 nonpayroll costs (provided any nonpayroll 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 complied with the above terms to qualify for full loan forgiveness. In April 2022, the Library received notification the loan was forgiven and recognized PPP loan forgiveness income of \$498,912 on the accompanying statement of activities for the year ended June 30, 2022.

NOTE 10 – Net Assets

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

Net assets without donor restrictions are as follows:

	June 30,	
	2022	2021
Undesignated	\$ 889,870	\$ 2,614,394
Board-designated endowment fund supporting priority program and foundation activities	15,961,219	17,215,214
Victoria E. Foote endowment fund	4,067,963	4,386,979
Janice McCoy Miller endowment fund	930,756	972,516
Jack G. Waldron endowment fund	373,122	-
Council of the Library endowment fund	78,155	64,077
	<u>\$ 22,301,085</u>	<u>\$ 25,253,180</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 – Net Assets (Continued)

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

	June 30,	
	2022	2021
Investing in Lifelong Learning	\$ 1,849,281	\$ 1,412,020
Engaging the Imagination	2,056,537	2,203,029
Helping Students Succeed	1,786,211	1,679,237
Library Programming	2,285,186	2,411,200
Jon D. Waldron Quasi Endowment	746,245	-
Jack G. Waldron Quasi Endowment	373,122	-
	<u>9,096,582</u>	<u>7,705,586</u>
Earnings on endowments	11,020,041	13,042,887
	<u>\$ 20,116,623</u>	<u>\$ 20,748,473</u>

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

	For the Year Ended	
	June 30,	
	2022	2021
Investing in Lifelong Learning	\$ 740,895	\$ 1,209,968
Engaging the Imagination	1,077,882	1,052,916
Helping Students Succeed	1,240,248	1,267,207
Library Programming	166,175	79,198
	<u>\$ 3,225,200</u>	<u>\$ 3,609,289</u>

Jon D. Waldron Quasi Endowment are donor directed funds to be used to expand resources at the Venice branch of LAPL. The Organization has elected to preserve the funds as a quasi endowment.

Jack G. Waldron Quasi Endowment are donor directed funds to be used to be used for outreach programs for youth and young adults to stimulate creativity, education enhancement, and the acquisition of books. The Organization has elected to preserve the funds as a quasi endowment.

LIBRARY FOUNDATION OF LOS ANGELES

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 – Net Assets (Continued)

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

	June 30,	
	2022	2021
Caroline Singleton Adult Literacy Endowment	\$ 5,062,352	\$ 5,062,352
National Endowment for Humanities	3,000,000	3,000,000
The Library Fellowship Program	2,000,000	2,000,000
Future Leaders The Democracy Project Endowment	1,500,000	1,500,000
Edythe Broad Technology Endowment	1,000,000	1,000,000
Flora L. Thornton Endowment	1,000,000	1,000,000
Future Leaders Summer Reading 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 Patterson-Hutto Endowment	250,000	250,000
Lynn Strasburg Miller Endowment	126,200	114,000
Dean Hansell Endowment	70,000	70,000
Sharon Oxborough ALOUD Endowment	50,000	50,000
Sharon Oxborough Adult Literacy Endowment	50,000	50,000
Gajin and Angela Fujita Endowment	50,000	5,000
Rosalind Jarrett and Lamar Sepulveda Endowment	50,000	5,131
	\$ 17,234,913	\$ 17,132,844

Earnings from the Caroline Singleton Adult Literacy Endowed Fund are designated to maintain and expand the Foundation’s programs that address the problem of adult 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 Library Fellowship Program was established for the purpose of launching a new interdisciplinary residency program at the Los Angeles Public Library. The program will recognize a wide array of practitioners taking on projects that will inform or enhance the work of the library and the ways the public understands and interacts with it.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 – Net Assets (Continued)

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.

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.

Earnings from the Flora L. Thornton Endowed Funds are designated to maintain and expand the Foundation’s programs that address the problem of literacy in the city of Los Angeles.

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.

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

The Clare Patterson-Hutto Endowed Fund was established for the purpose of supporting the Los Angeles Public Library’s Live Homework Help program.

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.

The Lynn Strasburg Miller Endowed Fund was established for the purpose of supporting the Los Angeles Public Library’s Student Zones program.

The Dean Hansell Endowed Fund was established for the purpose of supporting the Los Angeles Public Library’s Adult Literacy program.

LIBRARY FOUNDATION OF LOS ANGELES

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 10 – Net Assets (Continued)

The Rosalind Jarrett and Lamar Sepulveda Endowment was established for the purpose of supporting the Los Angeles Public Library’s Adult Literacy and other Lifeline Learning programs.

The Gajin and Angela Fujita Endowment was established for the purpose of supporting the Los Angeles Public Library’s Full Steam Ahead programs.

NOTE 11 – 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.

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.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – Endowment (Continued)

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 both of the years ended June 30, 2022 and 2021, the Foundation’s 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.

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, 2022 and 2021.

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – Endowment (Continued)

Amounts Appropriated for Expenditure

The amounts appropriated for expenditure during the year ended June 30, 2022 were \$917,632 from the Board Directed Endowment funds and \$1,077,010 from Donor Designated Endowment funds. The amounts appropriated for expenditure during the year ended June 30, 2021 were \$899,061 from the Board Directed Endowment funds and \$1,123,697 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>
At June 30, 2022:			
Board-designated	\$ 21,411,215	\$ -	\$ 21,411,215
Donor-designated:			
Donor endowed fund earnings restricted	-	11,020,041	11,020,041
Quasi endowment funds	-	1,119,367	1,119,367
Perpetuity restricted	-	17,234,913	17,234,913
Total endowment funds	<u>\$ 21,411,215</u>	<u>\$ 29,374,321</u>	<u>\$ 50,785,536</u>
At June 30, 2021:			
Board-designated	\$ 22,638,786	\$ -	\$ 22,638,786
Donor-designated:			
Donor endowed fund earnings restricted	-	13,042,887	13,042,887
Perpetuity restricted	-	17,132,844	17,132,844
Total endowment funds	<u>\$ 22,638,786</u>	<u>\$ 30,175,731</u>	<u>\$ 52,814,517</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – Endowment (Continued)

Amounts Appropriated for Expenditure (Continued)

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 22,638,786	\$ 30,175,731	\$ 52,814,517
Investment return:			
Interest and dividends	163,157	203,093	366,250
Net depreciation	<u>(866,296)</u>	<u>(1,154,562)</u>	<u>(2,020,858)</u>
Total investment return	<u>(703,139)</u>	<u>(951,469)</u>	<u>(1,654,608)</u>
Contributions	<u>393,200</u>	<u>1,227,069</u>	<u>1,620,269</u>
Amounts appropriated for expenditure	<u>(917,632)</u>	<u>(1,077,010)</u>	<u>(1,994,642)</u>
End of year	<u>\$ 21,411,215</u>	<u>\$ 29,374,321</u>	<u>\$ 50,785,536</u>

LIBRARY FOUNDATION OF LOS ANGELES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – Endowment (Continued)

Amounts Appropriated for Expenditure (Continued)

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 18,462,316	\$ 22,950,355	\$ 41,412,671
Investment return:			
Interest and dividends	142,715	212,815	355,530
Net appreciation	<u>4,924,066</u>	<u>6,104,127</u>	<u>11,028,193</u>
Total investment return	<u>5,066,781</u>	<u>6,316,942</u>	<u>11,383,723</u>
Contributions	<u>8,750</u>	<u>2,032,131</u>	<u>2,040,881</u>
Amounts appropriated for expenditure	<u>(899,061)</u>	<u>(1,123,697)</u>	<u>(2,022,758)</u>
End of year	<u>\$ 22,638,786</u>	<u>\$ 30,175,731</u>	<u>\$ 52,814,517</u>

NOTE 12 – 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. There was no rent expense incurred for the year ended June 30, 2021 as a result of the closure of the Library store during the COVID-19 pandemic. The rent expense incurred for the year ended June 30, 2022 amounted to \$13,929.

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, 2022 and 2021, for the donated space. Such in-kind support is offset by like amounts included in expenses.

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NOTE 13 – 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 \$93,253 and \$82,917 in 2022 and 2021, respectively.