

LONG BEACH PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Long Beach Public Library Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Long Beach Public Library Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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


INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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 Long Beach Public Library Foundation as of December 31, 2016 and 2015, 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.

A handwritten signature in cursive script, appearing to read "Guzman & Gray".

GUZMAN & GRAY
Long Beach, CA
July 18, 2017

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| <u>ASSETS</u> | | December 31, | |
|---|--|----------------------------|----------------------------|
| | | <u>2016</u> | <u>2015</u> |
| ASSETS | | | |
| Cash and cash equivalents | | \$ 1,466,816 | \$ 1,368,027 |
| Investments | | 5,220,921 | 4,861,436 |
| Unconditional promises to give, net | | 641,130 | 93,400 |
| Property and equipment, net | | 1,381 | |
| Other assets | | | |
| Prepaid expenses | | 1,632 | 11,319 |
| Beneficial interest in charitable remainder trust | | 3,220 | 6,803 |
| TOTAL ASSETS | | <u><u>\$ 7,335,100</u></u> | <u><u>\$ 6,340,985</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| LIABILITIES | | | |
| Accounts payable | | \$ 67,438 | \$ 10,375 |
| Accrued expenses | | 6,867 | 399 |
| Total Liabilities | | <u>74,305</u> | <u>10,774</u> |
| NET ASSETS | | | |
| Unrestricted | | | |
| Operations | | 586,685 | 823,225 |
| Board designated | | 2,279,871 | 2,000,824 |
| Total Unrestricted | | <u>2,866,556</u> | <u>2,824,049</u> |
| Temporarily restricted | | 1,656,902 | 794,475 |
| Permanently restricted | | 2,737,337 | 2,711,687 |
| Total Net Assets | | <u>7,260,795</u> | <u>6,330,211</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u><u>\$ 7,335,100</u></u> | <u><u>\$ 6,340,985</u></u> |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES AND SUPPORT | | | | |
| Grants and Contributions | \$ 243,515 | \$ 1,531,652 | \$ 25,650 | \$ 1,800,817 |
| Special events, net | 94,983 | | | 94,983 |
| In-kind goods and services | 46,827 | 6,424 | | 53,251 |
| Change in value of beneficial interest in charitable remainder trust | (3,583) | | | (3,583) |
| Investment income, net | 131,288 | 131,781 | | 263,069 |
| Other revenues | 5,215 | | | 5,215 |
| | <u>518,245</u> | <u>1,669,857</u> | <u>25,650</u> | <u>2,213,752</u> |
| NET ASSETS RELEASED FROM RESTRICTION | | | | |
| | <u>807,430</u> | <u>(807,430)</u> | | |
| Total Revenues and Support | <u>1,325,675</u> | <u>862,427</u> | <u>25,650</u> | <u>2,213,752</u> |
| EXPENSES | | | | |
| Program services | | | | |
| Family Learning Centers | 279,866 | | | 279,866 |
| Books and materials | 712,565 | | | 712,565 |
| Total Program Expenses | <u>992,431</u> | | | <u>992,431</u> |
| General and administrative | 179,134 | | | 179,134 |
| Fundraising | <u>111,603</u> | | | <u>111,603</u> |
| Total Expenses | <u>1,283,168</u> | | | <u>1,283,168</u> |
| CHANGE IN NET ASSETS | 42,507 | 862,427 | 25,650 | 930,584 |
| BEGINNING NET ASSETS | <u>2,824,049</u> | <u>794,475</u> | <u>2,711,687</u> | <u>6,330,211</u> |
| ENDING NET ASSETS | <u>\$ 2,866,556</u> | <u>\$ 1,656,902</u> | <u>\$ 2,737,337</u> | <u>\$ 7,260,795</u> |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| REVENUES AND SUPPORT | | | | |
| Grants and Contributions | \$ 122,141 | \$ 801,775 | \$ 21,250 | \$ 945,166 |
| Special events, net | 176,130 | | | 176,130 |
| In-kind goods and services | 6,000 | 6,000 | | 12,000 |
| Change in value of beneficial interest in charitable remainder trust | (3,448) | | | (3,448) |
| Investment income, net | (29,691) | | | (29,691) |
| Other revenues | 3,105 | | | 3,105 |
| | <u>274,237</u> | <u>807,775</u> | <u>21,250</u> | <u>1,103,262</u> |
| NET ASSETS RELEASED FROM RESTRICTION | | | | |
| | <u>802,184</u> | <u>(703,184)</u> | <u>(99,000)</u> | |
| Total Revenues and Support | <u>1,076,421</u> | <u>104,591</u> | <u>(77,750)</u> | <u>1,103,262</u> |
| EXPENSES | | | | |
| Program services | | | | |
| Family Learning Centers | 240,925 | | | 240,925 |
| Books and materials | 612,280 | | | 612,280 |
| Total Program Expenses | <u>853,205</u> | | | <u>853,205</u> |
| General and administrative | 140,228 | | | 140,228 |
| Fundraising | <u>84,071</u> | | | <u>84,071</u> |
| Total Expenses | <u>1,077,504</u> | | | <u>1,077,504</u> |
| CHANGE IN NET ASSETS | (1,083) | 104,591 | (77,750) | 25,758 |
| BEGINNING NET ASSETS | <u>2,825,132</u> | <u>689,884</u> | <u>2,789,437</u> | <u>6,304,453</u> |
| ENDING NET ASSETS | <u>\$ 2,824,049</u> | <u>\$ 794,475</u> | <u>\$ 2,711,687</u> | <u>\$ 6,330,211</u> |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | December 31, | |
|--|--------------|--------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 930,584 | \$ 25,758 |
| Adjustments to reconcile changes in net assets to net cash from operating activities: | | |
| Change in beneficial interest in charitable remainder trust | 3,583 | 3,448 |
| Realized (gains) losses on investments | 16,088 | (173,859) |
| Unrealized (gains) losses on investments | (138,525) | 327,408 |
| (Increase) decrease in assets: | | |
| Unconditional promises to give | (547,730) | (53,427) |
| Prepaid expenses | 9,687 | (8,376) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 57,063 | (2,845) |
| Accrued expenses | 6,468 | (3,336) |
| Net Cash Provided By Operating Activities | 337,218 | 114,771 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 1,962,494 | 2,016,147 |
| Purchases of investments | (2,186,402) | (2,494,083) |
| Reinvested dividends | (13,140) | |
| Purchase of property and equipment | (1,381) | |
| Net Cash Used In Investing Activities | (238,429) | (477,936) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | 98,789 | (363,165) |
| BEGINNING CASH AND CASH EQUIVALENTS | 1,368,027 | 1,731,192 |
| ENDING CASH AND CASH EQUIVALENTS | \$ 1,466,816 | \$ 1,368,027 |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest | NONE | NONE |
| Income tax paid | NONE | NONE |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Program Services | General and Administrative | Fundraising | Total Expenses |
|--|---------------------|-------------------------------|-------------------|---------------------|
| SALARIES AND BENEFITS | | | | |
| Salaries and payroll taxes | \$ 100,236 | \$ 66,202 | \$ 82,162 | \$ 248,600 |
| Employee benefits | 220 | 7,643 | 440 | 8,303 |
| Total Salaries and Benefits | <u>100,456</u> | <u>73,845</u> | <u>82,602</u> | <u>256,903</u> |
| OTHER EXPENSES | | | | |
| Bank and credit card fees | 20 | 799 | 2,182 | 3,001 |
| Board expense | | 1,202 | | 1,202 |
| Outside services | 17,158 | 40,038 | 15,535 | 72,731 |
| Dictionary day materials | 31,120 | 674 | | 31,794 |
| Homework helpers | 297,238 | | 238 | 297,476 |
| In-kind goods and services | 39,634 | | | 39,634 |
| Insurance | | 3,841 | | 3,841 |
| Mayor sponsored events | 54,355 | | | 54,355 |
| Office administration, supplies and other | 5,373 | 38,556 | 4,520 | 48,449 |
| Printing and mailing | | 5,206 | 4,920 | 10,126 |
| Program materials | 445,471 | 267 | | 445,738 |
| Rent | 1,606 | 9,636 | 1,606 | 12,848 |
| Software | | 5,070 | | 5,070 |
| Total Other Expenses | <u>891,975</u> | <u>105,289</u> | <u>29,001</u> | <u>1,026,265</u> |
| TOTAL EXPENSES | <u>\$ 992,431</u> | <u>\$ 179,134</u> | <u>\$ 111,603</u> | <u>\$ 1,283,168</u> |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------------|
| SALARIES AND BENEFITS | | | | |
| Salaries and payroll taxes | \$ 76,919 | \$ 50,793 | \$ 63,038 | \$ 190,750 |
| Employee benefits | 366 | 12,741 | 734 | 13,841 |
| Total Salaries and Benefits | <u>77,285</u> | <u>63,534</u> | <u>63,772</u> | <u>204,591</u> |
| OTHER EXPENSES | | | | |
| Bank and credit card fees | 14 | 576 | 1,572 | 2,162 |
| Board expense | | 1,224 | | 1,224 |
| Outside services | 6,178 | 14,421 | 5,595 | 26,194 |
| Dictionary day materials | 37,523 | 813 | | 38,336 |
| Homework helpers | 327,982 | | 263 | 328,245 |
| Insurance | | 7,472 | | 7,472 |
| Office administration, supplies and other | 4,417 | 31,711 | 3,718 | 39,846 |
| Printing and mailing | | 8,096 | 7,651 | 15,747 |
| Program materials | 398,306 | 223 | | 398,529 |
| Rent | 1,500 | 9,000 | 1,500 | 12,000 |
| Software | | 3,158 | | 3,158 |
| Total Other Expenses | <u>775,920</u> | <u>76,694</u> | <u>20,299</u> | <u>872,913</u> |
| TOTAL EXPENSES | <u>\$ 853,205</u> | <u>\$ 140,228</u> | <u>\$ 84,071</u> | <u>\$ 1,077,504</u> |

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION

The Long Beach Public Library Foundation (the “Foundation”) was incorporated to assist the Long Beach Public Library system in achieving its mission of meeting the information and learning needs of our culturally diverse and dynamic population. The Library Foundation’s mission is to both enhance the Long Beach Public Library and encourage literacy and education for all members of the community. This is accomplished through raising private funds to support, but not supplant, the programs of the library including funding for programs, materials, equipment, and personnel related to the programs listed below:

Learning Centers: The Foundation provides supplemental funding to support this core program of the Long Beach Public Library. The Learning Centers provide both individuals and families with a safe, designated place to receive free personalized assistance with homework, job searches, resume writing, English language learning, literacy and computer skills from specially trained, bilingual learning guides. Families can also access a variety of technology including computers, printers, tablets, and educational software to help them fulfill their life goals for work, education and personal growth.

The Studio: A special expanded feature of the Foundation’s Learning Center program is The Studio at Main Library which opened in April 2014. This innovative lab follows a national trend to provide “makerspaces” where individuals of all ages can access cutting-edge creative technology and have the opportunity for hands-on practice that will be required by the workplace of the future. The Studio offers PC and Apple computers, creative suite software, 3-D printers, digital scanners, tablets and apps and a film and editing studio. Studio Guides provide one-on-one guidance, technology demonstrations, and organize classes in robotics, e-learning, graphic design, 3-D printing, filming, editing, computer coding and other skills.

Books and Materials: Many of the Foundation's fundraising efforts, grants, and endowments go towards the purchase of books and materials to help supplement and enrich the Long Beach Public Library's collection. Over the past decade the city funds available to purchase books and materials for library have been greatly reduced making it difficult for the Library to maintain its collection quality and size.

Senior Services: A large estate gift provides endowment interest to support the ongoing operational support for programs and services the senior library patrons, including the Homebound Reader program. The Homebound Reader program allows people who cannot visit the library, the opportunity to have personally selected books and materials delivered straight to their place of residence on a regular basis.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION (Continued)

Senior Services: A large estate gift provides endowment interest to support the ongoing operational support for programs and services the senior library patrons, including the Homebound Reader program. The Homebound Reader program allows people who cannot visit the library, the opportunity to have personally selected books and materials delivered straight to their place of residence on a regular basis.

SpecialConnect: On January 31, 2015, the Foundation cut the ribbon on a new program that offers services designed for children with special needs and their caregivers. The goals of the program are to (1) Strengthen lifelong learning, social development, and self-esteem so that all children will succeed in school and in daily life (2) Empower caregivers with the tools and library resources they need to help youth learn and succeed (3) Support families by connecting them with their peers. Currently located in a corner of Main Library's Children's Department, the space offers books, toys, sensory bins, privacy cube, SpecialConnect Reading list handouts, and a seating area. Additional services include specialized iPad apps, multisensory storytimes and movies, and partnerships with key organizations serving children with disabilities.

Dictionary Day: In partnership with the Earl and Loraine Miller Foundation, the Foundation helps to provide a dictionary for every third grade student in Long Beach and a teacher's curriculum that meets the goals of common core. Each student is given a coupon with the dictionary inviting them to the Library to obtain a library card holder and meet with their librarian. During a wonderful interactive day in the Spring, select classes come to the Library and demonstrate the skills they have learned over the semester.

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 conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents.

Investments

The Foundation records investments at their fair market value. Contributed securities are stated at their market value on the date of donation. Fair market value is determined from quoted market prices. Realized gains and losses on sale of securities are determined based on the cost of the individual securities and the sale price at the date of sale. Unrealized gains and losses on marketable securities are calculated as the difference between cost and market of all securities on hand from one year to the next and reported in the statement of activities.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is unconditional. Contributions that are not restricted by the donor are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are carried at cost or if donated, at the fair market value at date of donation. Depreciation is calculated on the straight-line method over the estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

The Foundation recognizes the contribution of services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis in the Statement of Functional Expenses. Certain costs and expenditures have been allocated among program, management and general and development activities based on management's estimates.

Income Tax Status

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Foundation is classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2). Income for certain activities not directly related the Foundation's tax-exempt purpose is subject to unrelated business income taxation.

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. As of December 31, 2016, management does not believe the Foundation has any uncertain tax positions requiring accrual or disclosure. 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 and California state purposes is generally three and four years, respectively.

Reclassification

Certain temporarily restricted net asset amounts were reclassified as unrestricted as of the beginning of the earliest year presented to conform to current period presentation.

Reporting of Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 18, 2017, the date the financial statements were available to issue.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 3 – FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Valuations based on other observable inputs, which include quoted prices in active markets for similar assets and liabilities, either directly or indirectly. These inputs may include observable inputs such as interest rates that are observable at commonly quoted intervals.

Level 3: Valuations based unobservable inputs for assets and liabilities, which are typically based on an organization’s own assumptions which are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

Fair values measured on a recurring basis

Fair values of assets measured on a recurring basis as of December 31, 2016, are as follows:

| | Fair Value Measurements at December 31, 2016 | | | |
|--|--|---------|----------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | \$ 1,466,816 | | | \$ 1,466,816 |
| Investments | 5,220,921 | | | 5,220,921 |
| Beneficial interest in charitable remainder trust | | | \$ 3,220 | 3,220 |
| | \$ 6,687,737 | \$ | \$ 3,220 | \$ 6,690,957 |

Fair values of assets measured on a recurring basis as of December 31, 2015, are as follows:

| | Fair Value Measurements at December 31, 2015 | | | |
|--|--|---------|----------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | \$ 1,368,027 | | | \$ 1,368,027 |
| Investments | 4,861,436 | | | 4,861,436 |
| Beneficial interest in charitable remainder trust | | | \$ 6,803 | 6,803 |
| | \$ 6,229,463 | \$ | \$ 6,803 | \$ 6,236,266 |

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

For the year ended December 31, 2016, changes in the valuation of the beneficial interest in charitable remainder trust are as follows:

| | | |
|-------------------|----|----------------|
| December 31, 2015 | \$ | 6,803 |
| Change in value | | <u>(3,583)</u> |
| December 31, 2016 | \$ | <u>3,220</u> |

For the year ended December 31, 2015, changes in the valuation of the beneficial interest in charitable remainder trust are as follows:

| | | |
|-------------------|----|----------------|
| December 31, 2014 | \$ | 10,251 |
| Change in value | | <u>(3,448)</u> |
| December 31, 2015 | \$ | <u>6,803</u> |

The Foundation recalculates the present value of its beneficial interest in the charitable remainder trust on an annual basis and records the change in value in the Statements of Activities and Changes in Net Assets.

NOTE 4 – INVESTMENTS

The Foundation carries investments in marketable securities with readily determinable fair values at their fair values in the statements of financial position. Marketable securities are managed by investment managers and held by a third-party trustee.

As of the year ended December 31, 2016, investment assets consist of the following:

| | December 31, 2016 | | |
|-------------------------|----------------------|--------------|---------------------------|
| | Fair Market Value | Cost | Unrealized Gain/(Loss) |
| Mutual fund investments | \$ 5,220,921 | \$ 5,171,122 | \$ 49,799 |

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 4 – INVESTMENTS (Continued)

As of the year ended December 31, 2015, investment assets consist of the following:

| | December 31, 2015 | | |
|-------------------------|----------------------|--------------|---------------------------|
| | Fair Market Value | Cost | Unrealized Gain/(Loss) |
| Mutual fund investments | \$4,861,436 | \$ 4,949,592 | \$ (88,156) |

For the years ended December 31, 2016 and 2015, interest and investment income consisted of the following:

| | December 31, | |
|---------------------------|--------------|-------------|
| | 2016 | 2015 |
| Interest and dividends | \$ 171,101 | \$ 155,348 |
| Realized (losses) gains | (16,088) | 173,859 |
| Unrealized (losses) gains | 138,525 | (327,408) |
| Investment expenses | (30,469) | (31,490) |
| Net return | \$ 263,069 | \$ (29,691) |

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of:

| | December 31, | |
|---------------------------------------|--------------|-----------|
| | 2016 | 2015 |
| Unconditional promises to give | \$ 647,030 | \$ 99,300 |
| Less: allowance for doubtful accounts | (5,900) | (5,900) |
| Unconditional promises to give, net | \$ 641,130 | \$ 93,400 |

The following is a yearly schedule of expected collections on unconditional promises to give:

Years Ending December 31,

| | |
|-------|------------|
| 2017 | \$ 478,630 |
| 2018 | 162,500 |
| Total | \$ 641,130 |

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of:

| | <u>December 31,</u> | |
|--------------------------------|---------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| Property and equipment | \$ 29,733 | \$ 28,352 |
| Less: accumulated depreciation | <u>(28,352)</u> | <u>(28,352)</u> |
| Net | <u>\$ 1,381</u> | <u>\$</u> |

For the years ended December 31, 2016 and 2015, depreciation expense was \$0.

NOTE 7 – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

In December 2005, the Foundation was named as a residual beneficiary in a charitable gift annuity trust which is administered by a third party trustee. Upon death of the donor, the annual annuity is terminated and any remaining trust balance is paid to the Foundation. This charitable remainder trust provides for the payment of distributions to the donor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets, or a portion of the remaining assets, will be distributed to the Foundation.

For the years ended December 31, 2016 and 2015, assets held in the beneficial interest in the charitable remainder trust totaled \$3,220 and \$6,803, respectively. The assets are measured at fair value in the Statement of Financial Position, which is the present value of the estimated future distributions the Foundation expects to receive over the charitable remainder trust's term.

Changes in the value of the asset are recorded as increases or decreases to the asset with a corresponding amount recorded in the Statement of Activities and Changes in Net Assets. On an annual basis, the Foundation revalues the asset for distributions made to the designated beneficiaries based on actuarial assumptions. For the years ended December 31, 2016 and 2015, the present value of the estimated future payments is calculated using a discount rate of 1.8% and 2.0%, respectively, and applicable mortality tables.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 8 – BOARD DESIGNATED NET ASSETS

In November 2009, the Foundation’s board of directors established the Jean and Charles Lane endowment fund in which net investment income generated by the fund may be appropriated by the Board to benefit the Long Beach Public Library’s Family Learning Centers. Additional gifts have been designated in a similar manner since 2009. Undistributed income will remain in the fund as principal. The Foundation may at any time vote to board-designate an unrestricted donor gift, or temporarily set aside a portion of unrestricted funds for a specified purpose. A two-thirds vote (rounded down to the nearest whole number) of approval by the full board of directors is required to board-designate an unrestricted donor gift. The board, by a two-thirds vote of approval, may also vote to reverse a board-designation of unrestricted funds at any time. As of December 31, 2016 and 2015, board designated net assets were \$2,279,871 and \$2,000,824, respectively.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of:

| | December 31, | |
|-------------------------------------|--------------|------------|
| | 2016 | 2015 |
| Books and materials | \$ 133,899 | \$ 163,157 |
| Family Learning Centers | 595,471 | 57,394 |
| Children’s programs | 103,280 | 103,280 |
| Mark Twain Family Learning Center | 34,977 | 39,760 |
| Digital Archive | 68,702 | 67,025 |
| Michelle Obama Neighborhood Library | 411,970 | 318,959 |
| To support operations | 38,153 | 41,050 |
| Early childhood literacy | 3,850 | 3,850 |
| New Main Library | 247,500 | |
| Summer Reading Program | 19,100 | |
| | \$ 1,656,902 | \$ 794,475 |

Temporarily restricted net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes, or by the occurrences of other events specified by donors. During the years ended December 31, 2016 and 2015, net assets released from restriction were \$807,430 and \$802,184, respectively.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of December 31, 2016 and 2015, consist of endowment gifts. The endowment funds’ original principal is restricted to remain intact in perpetuity. Income generated by these funds can be used for donor specific purposes.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

For the years ended December 31, 2016 and 2015, permanently restricted net assets were restricted for the following purposes:

| | December 31, | |
|-------------------------------------|--------------|--------------|
| | 2016 | 2015 |
| To support operations | \$ 283,786 | \$ 258,786 |
| Family Learning Centers | 657,979 | 657,979 |
| Mark Twain Family Learning Center | 651,985 | 651,985 |
| Literacy Programs | 900,200 | 900,000 |
| Books and materials | 223,387 | 222,937 |
| Michelle Obama Neighborhood Library | 20,000 | 20,000 |
| | \$ 2,737,337 | \$ 2,711,687 |

NOTE 11 – ENDOWMENT FUNDS

The Foundation’s endowment consists of several individual donor-restricted funds and board-designated funds established for a variety of purposes, including support for library books and materials, senior services, Family Learning Centers, and Foundation operations. As required by GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

General Board Policy on Administration of Endowment Funds

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, which is generally composed of investment income from the endowed investment, will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA, which became effective in California on January 1, 2009. When appropriated for expenditure, such assets will be reclassified to unrestricted net assets.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS (Continued)

Investment Policy for Endowment Funds

The Foundation has utilized investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its 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, allow it to grow at a rate exceeding expected inflation.

This is consistent with the Foundation’s objective 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.

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 targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY FOR ENDOWMENT FUNDS

Donor restricted

Certain endowment funds have donor stipulations requiring a portion of the investment return to be added to the permanent endowment to maintain its purchasing power. The Foundation utilizes the Consumer Price Index (CPI) as a guideline for determining this portion in periods where the endowment assets have generated investment income. Historically, the Foundation has expended annually all endowment investment earnings (excluding any funds with deficiencies due to unfavorable market fluctuations) in excess of the portion added to the permanent endowment to support the programs specified by the donors.

Board designated

The Foundation’s board may appropriate, from net investment income, support for the Library’s Family Learning Centers, but if the funds produce a net loss at the end of the year, the board will not appropriate any funds from principal for distribution.

As of December 31, 2016, endowment net assets consisted of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------|---------------------|---------------------------|---------------------------|---------------------|
| Donor restricted | | \$ 248,123 | \$ 2,737,337 | \$ 2,985,460 |
| Board designated | \$ 2,279,871 | | | 2,279,871 |
| | <u>\$ 2,279,871</u> | <u>\$ 248,123</u> | <u>\$ 2,737,337</u> | <u>\$ 5,265,331</u> |

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS (Continued)

As of December 31, 2015, endowment net assets consisted of the following:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--------------------------------------|---------------------|---------------------------|---------------------------|---------------------------|
| Donor restricted Board designated | \$ 2,000,824 | \$ 168,282 | \$ 2,711,687 | \$ 2,879,969 2,000,824 |
| | <u>\$ 2,000,824</u> | <u>\$ 168,282</u> | <u>\$ 2,711,687</u> | <u>\$ 4,880,793</u> |

For the year ended December 31, 2016, changes in endowment assets were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Beginning endowment assets | \$ 2,000,824 | \$ 168,282 | \$ 2,711,687 | \$ 4,880,793 |
| Contributions | | | 25,650 | 25,650 |
| Transfers | 222,306 | | | 222,306 |
| Investment appreciation | 101,446 | 131,781 | | 233,227 |
| Amounts appropriated for expenditures | (44,705) | (51,940) | | (96,645) |
| Ending endowment assets | <u>\$ 2,279,871</u> | <u>\$ 248,123</u> | <u>\$ 2,737,337</u> | <u>\$ 5,265,331</u> |

For the year ended December 31, 2015, changes in endowment assets were as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Beginning endowment assets | \$ 2,016,471 | \$ 286,744 | \$ 2,789,437 | \$ 5,092,652 |
| Contributions | | | 21,250 | 21,250 |
| Investment depreciation | (15,647) | (24,957) | | (40,604) |
| Amounts appropriated for expenditures | | (93,505) | (99,000) | (192,505) |
| Ending endowment assets | <u>\$ 2,000,824</u> | <u>\$ 168,282</u> | <u>\$ 2,711,687</u> | <u>\$ 4,880,793</u> |

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 11 – ENDOWMENT FUNDS (Continued)

From time to time, 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. For the years ended December 31, 2016 and 2015, there were no deficiencies of this nature.

NOTE 12 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2016 and 2015, the Foundation received use of its office facilities with an estimated rental value of \$12,848 and \$12,000, respectively. Additional in-kind goods of \$39,634 were recognized for the year ended December 31, 2016. For the year ended December 31, 2015, the Foundation recognized in-kind contributions of \$175,000 to support the Foundation's annual fund raising event, including venue rental and catering services. This contribution has been recorded net against the corresponding event expenses in special events on the accompanying statement of activities.

NOTE 13 – SPECIAL EVENTS

The Foundation conducts special events in order to assist in the program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for Foundation programs and operations.

For the years ended December 31, 2016 and 2015, special events revenue and expenses are as follows:

| | December 31, | |
|-----------------------------|------------------|-------------------|
| | 2016 | 2015 |
| Revenue | \$ 171,625 | \$ 371,773 |
| Less: direct donor benefits | (76,642) | (195,643) |
| Special events, net | <u>\$ 94,983</u> | <u>\$ 176,130</u> |

NOTE 14 – COMMITMENTS

Operating Lease

The Foundation is obligated under an operating lease for use of copier equipment. The lease term is for three years and commenced February 2016.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 14 – COMMITMENTS (Continued)

Operating Lease (Continued)

The following is a schedule of future minimum lease payments required under the lease as of:

| <u>Years Ending December 31,</u> | | | |
|--------------------------------------|----|--------------|--|
| 2017 | \$ | 2,880 | |
| 2018 | | 2,880 | |
| 2019 | | <u>240</u> | |
| Total | \$ | <u>6,000</u> | |

NOTE 15 – CONTINGENCY AND CONCENTRATION

The Foundation is located in Long Beach, California, and its operations are largely dependent upon the local economy.

Credit Risks

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of December 31, 2016 and 2015, uninsured balances totaled \$1,079,464 and \$1,135,618, respectively. Cash deposited in financial institutions differs from cash presented in the Statement of Financial Position due to timing differences.

Market and Interest Rate Risks

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.