

LONG BEACH PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	
	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 2,608,836	\$ 988,545
Investments	6,243,052	6,743,562
Unconditional promises to give, net	275,110	409,043
Property and equipment, net	459	920
Other assets		
Prepaid expenses	23,627	16,191
Beneficial interest in charitable remainder trust		2,943
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 9,151,084</u></u>	<u><u>\$ 8,161,204</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Accounts payable	\$ 11,748	\$ 10,844
Accrued expenses	19,414	13,927
Deferred revenue	26,900	9,500
Total Liabilities	<u>58,062</u>	<u>34,271</u>
 NET ASSETS		
Without restrictions		
Operations	479,582	548,127
Board designated	2,799,960	3,072,175
	<u>3,279,542</u>	<u>3,620,302</u>
With restrictions	5,813,480	4,506,631
Total Net Assets	<u>9,093,022</u>	<u>8,126,933</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,151,084</u></u>	<u><u>\$ 8,161,204</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants and Contributions	\$ 245,706	\$ 2,905,194	\$ 3,150,900
Special events, net	133,985		133,985
In-kind goods and services	28,701	11,088	39,789
Change in value of beneficial interest in charitable remainder trust	(2,943)		(2,943)
Investment income, net	(214,724)	(164,055)	(378,779)
Other revenues	23,316		23,316
	214,041	2,752,227	2,966,268
NET ASSETS RELEASED FROM RESTRICTION			
	1,445,378	(1,445,378)	
Total Revenues and Support	1,659,419	1,306,849	2,966,268
EXPENSES			
Program services			
Family Learning Centers	658,485		658,485
Books and materials	929,995		929,995
Total Program Expenses	1,588,480		1,588,480
General and administrative	145,915		145,915
Fundraising	265,784		265,784
Total Expenses	2,000,179		2,000,179
CHANGE IN NET ASSETS	(340,760)	1,306,849	966,089
BEGINNING NET ASSETS	3,620,302	4,506,631	8,126,933
ENDING NET ASSETS	\$ 3,279,542	\$ 5,813,480	\$ 9,093,022

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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants and Contributions	\$ 660,234	\$ 914,967	\$ 1,575,201
Special events, net	123,232		123,232
In-kind goods and services	12,949	14,083	27,032
Change in value of beneficial interest in charitable remainder trust	(277)		(277)
Investment income, net	461,607	305,931	767,538
Other revenues	6,964		6,964
	<u>1,264,709</u>	<u>1,234,981</u>	<u>2,499,690</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>1,122,589</u>	<u>(1,122,589)</u>	
Total Revenues and Support	<u>2,387,298</u>	<u>112,392</u>	<u>2,499,690</u>
EXPENSES			
Program services			
Family Learning Centers	455,037		455,037
Books and materials	770,819		770,819
Total Program Expenses	<u>1,225,856</u>		<u>1,225,856</u>
General and administrative	144,510		144,510
Fundraising	263,186		263,186
Total Expenses	<u>1,633,552</u>		<u>1,633,552</u>
CHANGE IN NET ASSETS	753,746	112,392	866,138
BEGINNING NET ASSETS	<u>2,866,556</u>	<u>4,394,239</u>	<u>7,260,795</u>
ENDING NET ASSETS	<u>\$ 3,620,302</u>	<u>\$ 4,506,631</u>	<u>\$ 8,126,933</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, 2018 AND 2017

	December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 966,089	\$ 866,138
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Change in beneficial interest in charitable remainder trust	2,943	277
Realized (gains) losses on investments	(18,238)	(88,632)
Unrealized (gains) losses on investments	562,996	(542,771)
Depreciation	461	461
(Increase) decrease in assets:		
Unconditional promises to give	133,933	232,087
Prepaid expenses	(7,436)	(14,559)
Increase (decrease) in liabilities:		
Accounts payable	904	(56,594)
Accrued expenses	5,487	7,060
Deferred revenue	17,400	9,500
Net Cash Provided By Operating Activities	1,664,539	412,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,497,119	1,488,858
Purchases of investments	(1,513,723)	(2,369,524)
Reinvested dividends	(27,644)	(10,572)
Net Cash Used In Investing Activities	(44,248)	(891,238)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,620,291	(478,271)
BEGINNING CASH AND CASH EQUIVALENTS	988,545	1,466,816
ENDING CASH AND CASH EQUIVALENTS	\$ 2,608,836	\$ 988,545
 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, 2018

	Family Learning Centers	Books and Materials	Total Program Services	General and Administrative	Fundraising	Total Expenses
SALARIES AND BENEFITS						
Salaries and payroll taxes	\$ 28,583	\$ 37,119	\$ 65,702	\$ 46,615	\$ 226,701	\$ 339,018
Employee benefits	475		475	16,503	950	17,928
Total Salaries and Benefits	<u>29,058</u>	<u>37,119</u>	<u>66,177</u>	<u>63,118</u>	<u>227,651</u>	<u>356,946</u>
OTHER EXPENSES						
Bank and credit card fees		16	16	624	1,704	2,344
Board expense				1,412		1,412
Depreciation		369	369	92		461
Outside services	1,520	4,318	5,838	14,536	22,205	42,579
Dictionary day materials		30,608	30,608	663		31,271
Homework helpers	473,804		473,804			473,804
In-kind goods and services		13,773	13,773			13,773
Insurance				5,085		5,085
Mayor sponsored events		18,947	18,947			18,947
Office administration, supplies and other		3,964	3,964	28,443	3,335	35,742
Printing and mailing				8,589	8,117	16,706
Cost of direct benefits to donors					119,382	119,382
Program materials	151,331	820,881	972,212			972,212
Rent	2,772		2,772	16,632	2,772	22,176
Software				6,721		6,721
Total expense by function	<u>629,427</u>	<u>892,876</u>	<u>1,522,303</u>	<u>82,797</u>	<u>157,515</u>	<u>1,762,615</u>
Less expenses included with revenues on the statement of activities						
Cost of Direct benefits to donors					(119,382)	(119,382)
Total expenses included in the expense section on the statement of activities	<u>\$ 658,485</u>	<u>\$ 929,995</u>	<u>\$ 1,588,480</u>	<u>\$ 145,915</u>	<u>\$ 265,784</u>	<u>\$ 2,000,179</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, 2017

	Family Learning Centers	Books and Materials	Total Program Services	General and Administrative	Fundraising	Total Expenses
SALARIES AND BENEFITS						
Salaries and payroll taxes	\$ 28,022	\$ 36,252	\$ 64,274	\$ 45,608	\$ 221,747	\$ 331,629
Employee benefits	456		456	15,813	910	17,179
Total Salaries and Benefits	<u>28,478</u>	<u>36,252</u>	<u>64,730</u>	<u>61,421</u>	<u>222,657</u>	<u>348,808</u>
OTHER EXPENSES						
Bank and credit card fees		22	22	898	2,452	3,372
Board expense				1,648		1,648
Depreciation		369	369	92		461
Outside services	2,280	3,990	6,270	15,612	23,850	45,732
Dictionary day materials		19,225	19,225	416		19,641
Homework helpers	247,882		247,882		198	248,080
In-kind goods and services	2,995	1,861	4,856			4,856
Insurance				4,770		4,770
Mayor sponsored events		17,100	17,100			17,100
Office administration, supplies and other		3,843	3,843	27,575	3,233	34,651
Printing and mailing				8,490	8,024	16,514
Cost of direct benefits to donors					120,767	120,767
Program materials	170,630	688,157	858,787			858,787
Rent	2,772		2,772	16,632	2,772	22,176
Software				6,956		6,956
Total expense by function	<u>426,559</u>	<u>734,567</u>	<u>1,161,126</u>	<u>83,089</u>	<u>161,296</u>	<u>1,405,511</u>
Less expenses included with revenues on the statement of activities						
Cost of Direct benefits to donors					(120,767)	(120,767)
Total expenses included in the expense section on the statement of activities	<u>\$ 455,037</u>	<u>\$ 770,819</u>	<u>\$ 1,225,856</u>	<u>\$ 144,510</u>	<u>\$ 263,186</u>	<u>\$ 1,633,552</u>

See independent auditors' report and notes to financial statements

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 Foundation’s mission is to 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:

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

The Studio Program: Furthering the resources of the Family Learning Center Program is The Studio, which opened at Main Library in April 2014 and the Michelle Obama Neighborhood Library in September 2016. This innovative digital creativity lab integrates STEAM and makerspace activities to mentor, engage, and inspire students to learn 21st century job skills. Studio Guides offer free workshops and classes on cutting-edge technologies, such as 3D printers, a broad collection of design software and online applications, and video and music editing software that are designed to teach science and engineering skills to youth. In 2016, a Mobile Studio was launched, enabling the library to bring these innovative tools and educational resources to each of its branches, and to schools, recreation centers, parks, community events, or wherever they are needed most in the Long Beach community.

Dictionary Day: In partnership with the Earl B. and Loraine H. Miller Foundation, the Library Foundation purchases and distributes a dictionary/thesaurus to every third-grader (typically around 5,600-5,700) in the Long Beach Unified School District. Word-themed events in branch libraries surround the distribution, engaging students and their families, bringing them into the library and instilling in them a love of reading and literacy.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION (Continued)

The Library's annual 8-week Summer Reading Program is designed to encourage youth and their families to read regularly each day over school break, preventing "summer slide." The Program's community outreach events through the Long Beach Department of Parks and Recreation are designed to engage children who are not already coming into the library.

Launched in April of 2018, Dive into Reading is a part of the national 1,000 Books Before Kindergarten initiative that encourages parents to read to their newborns, infants, and toddlers in the years before public education begins.

Books and Materials: Many of the Foundation's fundraising efforts, grants, and endowments go toward the purchase of books and materials to help supplement and enrich the Long Beach Public Library's collection.

The Library Foundation also supports the Library's world of free online resources, including Career Online High School (a counselor-guided program which provides adults with a second chance to achieve a true high school diploma), Brainfuse Job Now (free job skills and résumé assistance), Brainfuse Help Now (live online homework help from tutors) and other programs for developing business skills, learning languages, downloading e-books, and screening films.

Keeping in line with the Long Beach Public Library Foundation's mission, our Foundation engages in advocacy activities to ensure the Library is well-funded by the City and open and available to all members of the community. The Library is a city department and primarily funded by the city's general fund, this means we spend time building relationships with key city leaders, namely the Mayor and City Council members, and making public comment at City Council meetings, particularly around budget season during which the Council votes on the Library budget.

We also build relationships and promote the library with other electeds such as school board members. In addition, we support advocacy initiatives for national and state-wide library funding.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of the Foundation or by the passage of time

Net Assets Released From Restrictions

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

New Accounting Pronouncements Implemented this Year

In August 18, 2016, FASB issued ASU 2016-14, Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 statements 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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements of activities and changes in net assets.

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 net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

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 without donor restrictions or with donor restrictions depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis in the statements 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, 2018, 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.

Recently Issued Accounting Pronouncements

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 Topic 840, Leases. 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, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Reporting of Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 2, 2019, the date the financial statements were available to issue.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018, are as follows:

	Fair Value Measurements at December 31, 2018			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 2,608,836			\$ 2,608,836
Investments	6,243,052			6,243,052
Beneficial interest in charitable remainder trust				
	\$ 8,851,888	NONE	NONE	\$ 8,851,888

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis as of December 31, 2017, are as follows:

	Fair Value Measurements at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 988,545			\$ 988,545
Investments	6,743,562			6,743,562
Beneficial interest in charitable remainder trust			\$ 2,943	2,943
	<u>\$ 7,732,107</u>	<u>NONE</u>	<u>\$ 2,943</u>	<u>\$ 7,735,050</u>

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, 2018, changes in the valuation of the beneficial interest in charitable remainder trust are as follows:

December 31, 2017	\$ 2,943
Change in value	(2,943)
December 31, 2018	\$ 0

For the year ended December 31, 2017, changes in the valuation of the beneficial interest in charitable remainder trust are as follows:

December 31, 2016	\$ 3,220
Change in value	(277)
December 31, 2017	\$ 2,943

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.

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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 4 – INVESTMENTS

As of the year ended December 31, 2018, investment assets consist of the following:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds and closed-end funds	\$ 3,897,634	\$ 3,782,129	\$ 115,505
Mutual funds	<u>2,345,418</u>	<u>2,428,845</u>	<u>(83,427)</u>
	<u>\$ 6,243,052</u>	<u>\$ 6,210,974</u>	<u>\$ 32,078</u>

As of the year ended December 31, 2017, investment assets consist of the following:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds and closed-end funds	\$ 4,153,308	\$ 3,511,579	\$ 641,729
Mutual funds	2,585,928	2,634,645	(48,717)
Stocks	<u>4,326</u>	<u>3,004</u>	<u>1,322</u>
	<u>\$ 6,743,562</u>	<u>\$ 6,149,228</u>	<u>\$ 594,334</u>

For the years ended December 31, 2018 and 2017, interest and investment income consisted of the following:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 200,413	\$ 167,895
Realized gains (losses)	18,238	88,632
Unrealized gains (losses)	(562,996)	542,771
Investment expenses	<u>(34,434)</u>	<u>(31,760)</u>
Net investment income	<u>\$ (378,779)</u>	<u>\$ 767,538</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE, net

Unconditional promises to give consist of the following as of:

	December 31,	
	2018	2017
Unconditional promises to give	\$ 275,110	\$ 409,043
Less: allowance for doubtful accounts		
Unconditional promises to give, net	\$ 275,110	\$ 409,043

Management considers all unconditional promises to give to be collectible, therefore, the Foundation did not recognize an allowance for uncollectible amounts for the fiscal year ended December 31, 2018 and 2017.

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

Years Ending December 31,	
2019	\$ 198,443
2020	76,667
Total	\$ 275,110

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of:

	December 31,	
	2018	2017
Property and equipment	\$ 29,733	\$ 29,733
Less: accumulated depreciation	(29,274)	(28,813)
Net	\$ 459	\$ 920

For the years ended December 31, 2018 and 2017, depreciation expense was \$461 and \$461, respectively.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, assets held in the beneficial interest in the charitable remainder trust totaled \$0 and \$2,943, respectively. The assets are measured at fair value in the statements 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. (As of December 31, 2018 the expected annuity payments are greater than the fair value, which resulted in the value of \$0.)

Changes in the value of the asset are recorded as increases or decreases to the asset with a corresponding amount recorded in the statements 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, 2018 and 2017, the present value of the estimated future payments is calculated using a discount rate of 3.6% and 2.6%, respectively, and applicable mortality tables.

NOTE 8 – WITHOUT RESTRICTIONS NET ASSETS - BOARD DESIGNATED

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, 2018 and 2017, board designated net assets were \$2,799,960 and \$3,072,175, respectively.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 9 – WITH RESTRICTIONS NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31,	
	2018	2017
Subject to expenditure for specified purpose:		
Books and materials	\$ 1,734,007	\$ 228,162
Family Learning Centers		237,597
Children's programs	60,380	60,380
Digital Archive	68,702	68,702
Michelle Obama Neighborhood Library	365,118	419,075
Early childhood literacy	7,533	6,000
New main library	537,024	247,500
Summer reading program	10,000	100
Mayor sponsored events	8,603	31,900
	2,791,367	1,299,416
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Books and materials	23,410	150,392
Family Learning Centers	86,485	164,317
Mark Twain Family Learning Center		72,145
Michelle Obama Neighborhood Library	385	3,207
To support operations	20,999	52,717
	131,279	442,778
Subject to foundation endowment spending policy and appropriation:		
To support operations	283,786	283,786
Family Learning Centers	709,679	683,079
Mark Twain Family Learning Center	651,985	651,985
Literacy programs	900,200	900,200
Books and materials	268,248	225,387
Michelle Obama Neighborhood Library	76,936	20,000
	2,890,834	2,764,437
Total Endowments	3,022,113	3,207,215
	\$ 5,813,480	\$ 4,506,631

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors. During the years ended December 31, 2018 and 2017, net assets released from restriction were \$1,445,378 and \$1,122,589, respectively.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 10 – 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 with donor 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 without restrictions net assets.

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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 10 – ENDOWMENT FUNDS (Continued)

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, 2018, endowment net assets consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted		\$ 3,022,113	\$ 3,022,113
Board designated	\$ 2,799,960		2,799,960
	<u>\$ 2,799,960</u>	<u>\$ 3,022,113</u>	<u>\$ 5,822,073</u>

As of December 31, 2017, endowment net assets consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted		\$ 3,207,215	\$ 3,207,215
Board designated	\$ 3,072,175		3,072,175
	<u>\$ 3,072,175</u>	<u>\$ 3,207,215</u>	<u>6,279,390</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 10 – ENDOWMENT FUNDS (Continued)

For the year ended December 31, 2018, changes in endowment assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning endowment assets	\$ 3,072,175	\$ 3,207,215	\$ 6,279,390
Contributions		69,461	69,461
Appropriations for expenditure	(96,137)	(90,507)	(186,644)
Investment depreciation	<u>(176,078)</u>	<u>(164,056)</u>	<u>(340,134)</u>
Ending endowment assets	<u>\$ 2,799,960</u>	<u>\$ 3,022,113</u>	<u>\$ 5,822,073</u>

For the year ended December 31, 2017, changes in endowment assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning endowment assets	\$ 2,279,871	\$ 2,985,460	\$ 5,265,331
Contributions		27,100	27,100
Transfers	571,998		571,998
Investment appreciation	283,394	305,932	589,326
Amounts appropriated for expenditures	<u>(63,088)</u>	<u>(111,277)</u>	<u>(174,365)</u>
Ending endowment assets	<u>\$ 3,072,175</u>	<u>\$ 3,207,215</u>	<u>\$ 6,279,390</u>

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, 2018 and 2017, there were no deficiencies of this nature.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 11 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2018 and 2017, the Foundation received use of its office facilities with an estimated rental value of \$22,176 and \$22,176, respectively. Additional in-kind goods of \$17,613 and \$4,856 were recognized for the year ended December 31, 2018 and 2017 respectively. For the year ended December 31, 2018, the Foundation recognized in-kind contributions of \$51,849 to support the Foundation's annual fundraising event, which consisted of donated auction items. This contribution has been recorded net against the corresponding event expenses in special events on the accompanying statements of activities and changes in net assets.

NOTE 12 – 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, special events revenue and expenses are as follows:

	<u>December 31,</u>	
	<u>2017</u>	<u>2017</u>
Revenue	\$ 253,368	\$ 243,999
Less: direct donor benefits	<u>(119,383)</u>	<u>(120,767)</u>
Special events, net	<u>\$ 133,985</u>	<u>\$ 123,232</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 13 – COMMITMENTS

Operating Lease

The Foundation is obligated under an operating lease for use of copier equipment. The lease term is for five years and commenced March 2019.

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

<u>Years Ending December 31,</u>		
2019	\$	3,042
2020		4,056
2021		4,056
2022		4,056
2023		4,056
Thereafter		<u>1,014</u>
Total	\$	<u>20,280</u>

NOTE 14 – 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, 2018 and 2017, uninsured balances totaled \$2,110,404 and \$736,450, respectively. Cash deposited in financial institutions differs from cash presented in the statements 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 statements of financial position.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 15 – LIQUIDITY AND AVAILABILITY

The Foundation maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalents	\$2,608,836
Unconditional promises to give due within one year, net	198,443
Investments, net	<u>6,243,052</u>
Financial assets, at year end	<u>9,050,331</u>
Less: Restrictions	(5,813,480)
Less: Board designated endowment	<u>(2,799,960)</u>
Total funds unavailable for general expense within one year	<u>(8,613,440)</u>
Financial assets available for general expenditure	<u>\$ 436,891</u>