

LONG BEACH PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2023

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LONG BEACH PUBLIC LIBRARY FOUNDATION

Opinion

We have audited the accompanying financial statements of Long Beach Public Library Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Long Beach Public Library Foundation, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Long Beach Public Library Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Long Beach Public Library Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

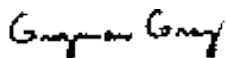
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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 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 Long Beach Public Library 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 Long Beach Public Library 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.



GuzmanGray
Costa Mesa, CA
January 13, 2025

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

Cash and cash equivalents	\$ 1,349,431
Investments	9,283,711
Unconditional promises to give, net	706,574
Prepaid expenses	2,562
Property and equipment, net	3,039
Operating lease right of use asset	1,031
TOTAL ASSETS	<u>\$ 11,346,348</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 35,235
Operating lease liability	1,011
TOTAL LIABILITIES	<u>36,246</u>

NET ASSETS

Without restrictions	
Operations	\$ 2,533,163
Board designated	3,200,041
	<u>5,733,204</u>
With restrictions	5,576,898
TOTAL NET ASSETS	<u>11,310,102</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,346,348</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Restrictions	With Restrictions	Total
REVENUES AND SUPPORT			
Grants and contributions	\$ 550,298	\$ 113,910	\$ 664,208
In-kind goods and services	24,653	-	24,653
Investment return, net	610,673	273,762	884,435
Gross special events revenue	\$ 540,848		
Less: cost of direct benefits to donors	(205,161)		
Net special events revenue	335,687	-	335,687
	1,521,311	387,672	1,908,983
NET ASSETS RELEASED FROM RESTRICTION	607,467	(607,467)	-
Total Revenues and Support	2,128,778	(219,795)	1,908,983
EXPENSES			
Program services expenses			
Family Learning Centers	217,120	-	217,120
Books and materials	878,350	-	878,350
Total program expenses	1,095,470	-	1,095,470
Management and general	168,818	-	168,818
Fundraising	150,273	-	150,273
Total Expenses	1,414,561	-	1,414,561
CHANGE IN NET ASSETS	714,217	(219,795)	494,422
NET ASSETS, BEGINNING OF YEAR	5,018,987	5,796,693	10,815,680
NET ASSETS, END OF YEAR	\$ 5,733,204	\$ 5,576,898	\$ 11,310,102

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Family Learning Centers	Books and Materials	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total Expenses
SALARIES AND BENEFITS							
Salaries and payroll taxes	\$ 6,605	\$ 308,867	\$ 315,472	\$ 82,344	\$ 68,396	\$ -	\$ 466,212
Employee benefits	3,041	10,675	13,716	9,496	14,801	-	38,013
Total Salaries and Benefits	9,646	319,542	329,188	91,840	83,197	-	504,225
OTHER EXPENSES							
Bank and credit card fees	-	-	-	60	4,028	-	4,088
Board expense	-	2	2	11,183	568	-	11,753
Depreciation	-	-	-	1,437	-	-	1,437
Outside services	1,344	2,469	3,813	27,339	25,861	-	57,013
Insurance	-	-	-	6,698	-	-	6,698
City special projects events	-	100	100	-	-	-	100
Office administration, supplies and other	-	586	586	17,777	24,507	-	42,870
Printing and mailing	-	144	144	4,878	4,129	-	9,151
Cost of direct benefits to donors	-	-	-	-	-	205,161	205,161
Program materials	202,492	551,816	754,308	-	4,345	-	758,653
Rent	3,638	3,638	7,276	4,364	3,638	-	15,278
Software	-	-	-	1,109	-	-	1,109
Meals and entertainment	-	53	53	2,133	-	-	2,186
	217,120	878,350	1,095,470	168,818	150,273	205,161	1,619,722
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(205,161)	(205,161)
Total expenses included in the expense section on the statement of activities	\$ 217,120	\$ 878,350	\$ 1,095,470	\$ 168,818	\$ 150,273	\$ -	\$ 1,414,561

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

LONG BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 494,422
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Realized gain on investments	(29,184)
Unrealized gain on investments	(681,401)
Depreciation	1,437
Amortization of operating lease right of use asset	1,014
(Increase) decrease in assets:	
Promises to give	(27,611)
Prepaid expenses	(511)
Increase (decrease) in liabilities:	
Accounts payable	17,657
Accrued expenses	(10,323)
Deferred revenue	(1,311)
Operating lease liability	(3,956)
NET CASH USED IN OPERATING ACTIVITIES	<u>(239,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	7,983,673
Redemptions of investments	50,598
Purchases of investments	(7,843,505)
Reinvestments	(25,024)
Purchases of property, plant, & equipment	(1,659)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>164,083</u>
NET DECREASE IN CASH	(75,684)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,425,115</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,349,431</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

INTEREST PAID	<u>NONE</u>
INCOME TAXES	<u>NONE</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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 its culturally diverse and dynamic population. The Foundation’s fundraising efforts, grants, and endowed funds provide support to enhance the Long Beach Public Libraries and encourage literacy and education for all members of the community. These enhancements include:

Family Learning Center Program: The Family Learning Center Program is the Library and Foundation’s flagship partnership. Learning guides assist students with homework and school projects in language arts, reading, math, science, and technology. They provide guidance, oversight, and free access to computers, printers, and academic resources recommended by the school district that support curriculum. Learning guides also work with the students’ parents, whenever available, to engage them in the learning process. This is one of the city’s best resources in helping to bridge the community’s vast digital divide and provides free after-school homework and academic assistance to students, many of whom come from Title I schools. The Family Learning Center also serves as an entry point to connect patrons with additional services.

The Makerspace Studio: The Studio is a digital creativity lab at the Billie Jean King Main Library and Michelle Obama Neighborhood Library which integrates STEAM and Makerspace activities to engage and inspire students to learn 21st century skills. The Studio offers free workshops and classes on cutting-edge technologies, such as 3d printers, robotics, virtual reality, a broad collection of design software and online applications, and video and music editing software designed to teach science and engineering skills to youth. In addition, a mobile studio enables the Library to bring these resources to each of its branches, and to schools, parks and recreation centers, and community organizations.

Summer Reading Program: The Summer Reading Program is designed to encourage youth and their families to read regularly each day over school break to prevent “summer slide.” 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.

Dictionary Days: Through the Dictionary Days Program, the Library Foundation purchases and distributes a dictionary/thesaurus to every 3rd grader (typically between 5,000 – 6,000) in the Long Beach Unified School District. Several children have shared that these dictionaries are the first book they have ever owned.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – ORGANIZATION (Continued)

Dive into Reading: Dive into Reading is the Long Beach Public Library's 1,000 Books Before Kindergarten Program. This is a simple endeavor to encourage parents to read with their children, with the goal of reading 1,000 books before kindergarten. The program works with families one-on-one to keep reading. The single most significant factor influencing a child's early educational success is an introduction to books and being read to at home to develop vocabulary prior to beginning school.

Career Online High School: The Foundation provides scholarships for Career Online High School which provides Long Beach adults with a second chance for free at receiving an accredited high school diploma and a credentialed career certificate. This program helps to prepare Long Beach citizens to obtain employment and provide a stable home for their children.

LB Reads: LB Reads is an adult literacy program. Reading tutors provide year-round, one-on-one literacy lessons that aim to help English speaking adults improve their reading and writing skills so they can reach their potential as workers, parents, community members, and lifelong learners.

Senior Services: In addition to workshops designed to support the needs of older adults such as internet safety, the Homebound Reader Program allows library patrons who are unable to leave their homes the opportunity to have personally selected books and materials delivered to their place of residence.

Books, Materials, and Online Resources: Hundreds of new books are purchased every year to update the Long Beach Public Library's catalog. Online resources supported by the Library Foundation include Brainfuse Job Now which offers free job skills and résumé assistance, Brainfuse Help Now which offers live online homework help, and Brainfuse Vet Now which helps veterans navigate benefits.

Advocacy Activities: The Library is a city department and primarily funded by the city's general fund which means 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, helps to ensure the Library is well-funded by the city and open and available to all members of the community.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – ORGANIZATION (Continued)

Campaigns: The Foundation has various campaigns which consist of the following:

Carnegie 49: Carnegie 49 honors those who care deeply about the future of Long Beach's public libraries, and named the Foundation as a beneficiary of their estate. The society is named after Andrew Carnegie because of his generous work spreading literacy across the country by building libraries from New York to California. His library in Long Beach was the 49th Carnegie library in California.

Fund for Race, Equity, and Justice Resources: The Foundation has partnered with the African American Heritage Society of Long Beach and the local faith community to create a fund for public library materials and programs related to race, equity, and justice.

Fund for Asian American & Pacific Islander Voices: The Foundation funds public library materials that promote the voices, narratives, and histories of Asian Americans and Pacific Islanders.

Gutenberg Society: The Gutenberg Society is made up of donors to an endowed fund creating a legacy of books for the Long Beach Public Library. The books purchased with these funds come from the Library's wish lists, and are eagerly reserved by library patrons when they become available. The Gutenberg Society offers an opportunity to touch lives now and long into the future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as follows:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has discretionary control over these resources. Board designated amounts represent those net assets that the board has set aside for a particular purpose

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets released from donor restrictions

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

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

Unconditional Promises to Give

Promises to give are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, donor restrictions are reclassified to net assets without donor restrictions. The Foundation uses the allowance method to determine uncollectible unconditional promises to give.

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.

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

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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.

Revenue Recognition

The Foundation applies the five-step model to contracts when it is probable that the Foundation will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, Revenue from Contracts with Customers, The Foundation performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Foundation satisfies a performance obligation. The Foundation then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

A summary of significant revenue recognition policies is as follows:

Grants and Contributions

The Foundation recognizes contributions when cash, securities, other assets, or unconditional promise to give are received. Grants and contributions that are not restricted by the grantor or donor are reported as increases in net assets without donor restrictions. All other grantor or donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with grantor or donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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

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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods (Continued)

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated goods to a specific purpose.

Investment Return

Investment return consists of investment earnings. Revenues are recognized when earned or incurred

Special Events

Special events are organized to raise contributions to support the Foundation's activities. The participants of these events are offered something of value for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the donor and the fair value of the benefit received by the donor is considered a contribution. The items of value given to the donor are referred to as "cost of direct benefits to donors." These are the actual costs of the items and services furnished to the donor to attend the special event. The cost of direct benefit to donors is presented as a line item deducted from gross special events revenue in the statement of activities.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs and expenditures have been allocated among the programs and supporting services benefitted. Salaries, payroll taxes, and employee benefits are allocated based on time and effort. Costs related to occupancy such as rent and utilities are allocated based on a square footage basis. Other costs such as office administration, supplies, printing and mailing are allocated based on estimated usage on programs, management and general, and fundraising.

Income Taxes

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). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2023, 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 Pronouncement

In June 2016, the FASB issued Accounting Standards Codification (ASC) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted. The adoption of FASB ASC 842 did not have an impact on the Foundation's financial statements.

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 on unobservable inputs for assets and liabilities, which are typically based on an organization's own assumptions which are internally developed and estimated.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

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.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis as of December 31, 2023:

Stocks, exchange-traded and closed-end funds, mutual funds, corporate fixed income, and government securities: Valued using readily determinable fair values based on quoted prices in active markets.

Alternative investments: Valued at the estimated net asset value of shares held by the Foundation at the end of the year.

The following table presents assets measured at fair value on a recurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 1,192,952	\$ -	\$ -	\$ 1,192,952
Exchange traded	3,597,694	-	-	3,597,694
Mutual funds	720,471	-	-	720,471
Corporate fixed income	1,312,468	-	-	1,312,468
Government securities	1,273,716	-	-	1,273,716
Alternative investments	-	1,186,410	-	1,186,410
	<u>\$ 8,097,301</u>	<u>\$ 1,186,410</u>	<u>\$ -</u>	<u>\$ 9,283,711</u>

NOTE 4 – INVESTMENTS

Investments consist of the following at December 31, 2023:

	Cost	Unrealized Gain (Loss)	Fair Value
Stocks	\$ 1,190,130	\$ 2,822	\$ 1,192,952
Exchange traded	3,593,928	3,766	3,597,694
Mutual funds	723,433	(2,962)	720,471
Corporate fixed income	1,312,222	246	1,312,468
Government securities	1,275,660	(1,944)	1,273,716
Alternative investments	1,060,024	126,386	1,186,410
	<u>\$ 9,155,397</u>	<u>\$ 128,314</u>	<u>\$ 9,283,711</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4 – INVESTMENTS (Continued)

Net investment return consists of the following for the year ended December 31, 2023:

Interest and dividends	\$ 220,117
Realized gains	29,184
Unrealized gains	681,401
Investment expenses	<u>(46,267)</u>
	<u><u>\$ 884,435</u></u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are estimated to be collected at December 31, 2023:

Within one year	\$ 179,412
More than one year	<u>600,000</u>
	779,412
Less:	
Discount to net present value at 2.31%	(72,838)
Allowance for doubtful accounts	<u>-</u>
	<u><u>\$ 706,574</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023:

Property and equipment	\$ 35,305
Less: Accumulated depreciation	<u>(32,266)</u>
	<u><u>\$ 3,039</u></u>

Depreciation expense totaled \$1,437 for the year ended December 31, 2023.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 7 – IN-KIND CONTRIBUTIONS

The Foundation received in-kind goods and services for the year ended December 31, 2023:

Rent	\$ 14,533
Web redesign	6,500
Books	3,600
	\$ 24,633

On May 5, 2020, the Foundation was granted a permit of use of office space in the Billie Jean King Main Library by the City of Long Beach. The estimated rental value is \$14,553 for the year ended December 31, 2023. In consideration of the financial assistance and community services provided annually to the Long Beach community by the Foundation, the financial assistance and community services are credited against annual rent due throughout the lease term.

NOTE 8 – NET ASSETS WITHOUT RESTRICTIONS - 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 the board designated funds to be used for general expenditures, if necessary. Board designated net assets totaled \$3,200,041 at December 31, 2023.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 9 – NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to expenditure for specified purpose:

Books and Materials	\$ 413,287
Family Learning Centers	1,000
Children's Programs	164,138
Digital Archive	58,915
Michelle Obama Neighborhood Library	131,384
Early Childhood Literacy	37,483
New Main Library	221,787
Summer Reading Programs	450
Mark Twain Family Learning Centers	43,851
Library Senior Services	18,444
	<u>1,090,739</u>

Endowments:

Subject to appropriation and expenditure when a
specified event occurs:

Books and Materials	9,144
Literacy Programs	67,406
Family Learning Centers	77,914
Mark Twain Family Learning Centers	23,578
Michelle Obama Neighborhood Library	7,775
To Support Operations	33,466
	<u>219,283</u>

Subject to foundation endowment spending policy
and appropriation:

Books and Materials	275,953
Literacy Programs	1,757,738
Family Learning Centers	791,257
Mark Twain Family Learning Centers	651,985
Michelle Obama Neighborhood Library	76,936
To Support Operations	287,643
Main Children's Library	425,364
	<u>4,266,876</u>

Total endowments	<u>4,486,159</u>
Total net assets with restrictions	<u>\$ 5,576,898</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 9 – NET ASSETS WITH RESTRICTIONS (Continued)

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. Net assets released from restriction totaled \$607,467 for the year ended December 31, 2023.

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 retains in perpetuity: (a) the original value of the gift, (b) the original value of subsequent gifts donated to the endowment and (c) accumulations made to the endowment 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 net assets without restrictions.

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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 10 – ENDOWMENT FUNDS (Continued)

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

On May 21, 2020, the Board approved the following endowment spending policy which applies when a donor or the Board has not already indicated a separate fund-specific spending policy.

Management Fees

In accordance with the state of California and the federal Uniform Prudent Management of Institutional Funds Act, a 3% administrative fee will be collected from any program related endowment gifts. This 3% fee will be collected when the gift is received and moved to the Foundation Operations Endowment. In addition, a 3% fee will also be deducted from the amounts appropriated for expenditure from each program endowment on an annual basis. The annual fee is intended to cover the administrative costs incurred by the Foundation in managing the program endowments and will be available for unrestricted use each year.

The Foundation employs a third-party investment manager and fees are paid quarterly based on the Foundation's Investment Policy. These fees will be pro-rated among the various funds before the gains or losses are returned to the individual Endowment Funds. If there is not enough earned income to pay these fees, the Board may have to pay the fees from the operating budget.

Inflation Adjustment to Preserve the Principal

The Foundation will pay an inflation adjustment out of the total investment account, after the investment service fees are paid and before the gains or losses are returned to the various endowment funds.

The Foundation will calculate the inflation adjustment by determining the current CPI rate and will put a pro-rated percentage (with a goal of 2%) back into the investment account to preserve the value of all the Foundation's Endowment Funds.

The purpose of the inflation adjustment is to assure that the value of all the endowments keeps up with the rate of inflation and the funds do not lose value over time.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 10 – ENDOWMENT FUNDS (Continued)

Spendable Income for Program Support

As soon as possible after year-end, and after the Foundation has paid the management fees and made the inflation adjustment, the Foundation will calculate the total investment gains/losses based on a twelve-quarter rolling average.

Spendable Income for Program Support (Continued)

The proposed Spendable Income is to be liquidated from the investment portfolio and kept in a temporarily restricted account within a reasonable timeframe in order to ensure liquidity and eliminate investment risk or, it shall remain invested as part of the total investment portfolio, if the Foundation does not have the current need to make the program expenditures.

To the extent any individual donor designated Endowment Fund is in a deficit balance position, all income generated from the fund will be reinvested in order to help the fund grow to the minimum level required to be retained by the Foundation.

Donor restricted

Certain endowment funds have donor stipulations requiring a portion of the investment return to be added to the 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 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.

Endowment net assets consist of the following at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,102,469	\$ 4,338,100	\$ 7,440,569
Contributions	-	12,076	12,076
Appropriations for expenditure	(171,287)	(205,830)	(377,117)
Investment income allocation	268,859	341,813	610,672
Endowment net assets, end of year	<u>\$ 3,200,041</u>	<u>\$ 4,486,159</u>	<u>\$ 7,686,200</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 10 – 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 year ended December 31, 2023, there were no deficiencies of this nature.

NOTE 11 – OPERATING LEASING ACTIVITIES

The Foundation has two equipment lease that commenced on August 2021 and March 2019 for two-year terms and five-year terms, respectively.

The following summarizes the line items in the consolidated statement of financial position which includes amounts for operating lease at December 31, 2023:

Operating lease right-of-use asset	<u>\$ 1,031</u>
Lease liability, current portion	\$ 1,011
Lease liability, non-current portion	<u>-</u>
Total operating lease liabilities	<u>\$ 1,011</u>

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2023:

Weighted Average Remaining Lease Term	
Operating lease	<u>0.25 year</u>
Weighted Average Discount Rate	
Operating lease	<u>2.44%</u>

The maturities of lease liabilities are as follows at December 31, 2023:

	<u>Year Ending December 31,</u>	
	2024	<u>1,014</u>
Total lease payments		1,014
Less: Interest		<u>(3)</u>
Present value of lease liabilities		<u>\$ 1,011</u>

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 11 – OPERATING LEASING ACTIVITIES (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2023:

Operating lease cost	<u>\$ 1,031</u>
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The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Operating lease cost	<u>\$ 1,031</u>
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Cash paid for amounts included in the measurement of
lease liabilities:

Operating cash flows from operating leases	<u>\$ 1,014</u>
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NOTE 12 – CREDIT RISKS AND UNCERTAINTIES

The Foundation maintains cash balances at Farmers and Merchants. The balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balance at December 31, 2023 was \$408,175. Management believes the Foundation is not exposed to any significant credit risk. Cash balances deposited and maintained by the bank may differ from cash balances presented in the statement of financial position due to timing differences.

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.

LONG BEACH PUBLIC LIBRARY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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NOTE 13 – LIQUIDITY AND AVAILABILITY

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

Total financial assets:	
Cash and cash equivalents	\$ 1,349,431
Investments	9,283,711
Unconditional promises to give - due within one year	<u>179,412</u>
Financial assets, at year end	10,812,554
Less:	
Board designated restrictions	(3,200,041)
Donor-imposed restrictions	<u>(5,576,898)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,035,615</u>

The Foundation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities, and other obligations come due.

The Foundation's board of directors has designated \$3,200,041 of financial assets for future expenditures as described in Note 8. Because of the board of directors' designation, these financial assets are not available for general expenditures within one year. However, as stated in Note 8, the board of directors could reverse the board designated funds to be used for general use, if necessary.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-imposed restrictions.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation evaluated subsequent events for their potential impact on the financial statements and disclosures through January 13, 2025, which is the date the financial statements were available to be issued.