

San Diego Public Library Foundation dba Library Foundation SD

FINANCIAL STATEMENTS

Year Ended June 30, 2024 (With Comparative Totals for 2023)

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD
Financial Statements
Year Ended June 30, 2024 (With Comparative Totals for 2023)

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of
San Diego Public Library Foundation dba Library Foundation SD

Opinion

We have audited the accompanying financial statements of San Diego Public Library Foundation dba Library Foundation SD (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 San Diego Public Library Foundation dba Library Foundation SD as of June 30, 2024, and the changes in 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 San Diego Public Library Foundation dba Library Foundation SD 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 San Diego Public Library Foundation dba Library Foundation SD'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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- 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 San Diego Public Library Foundation dba Library Foundation SD'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 San Diego Public Library Foundation dba Library Foundation SD'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.

Report on Summarized Comparative Information

We have previously audited San Diego Public Library Foundation dba Library Foundation SD's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aldrich CPAs + Advisors LLP

San Diego, California
November 22, 2024

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD
Statement of Financial Position
June 30, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Assets				
Cash and cash equivalents	\$ 1,322,029	\$ 3,000,000	\$ 4,322,029	\$ 146,529
Investments	3,182,300	3,016,623	6,198,923	6,187,069
Inventory	99,905	-	99,905	99,087
Prepaid expense and other assets	52,716	-	52,716	42,815
Total Assets	<u>\$ 4,656,950</u>	<u>\$ 6,016,623</u>	<u>\$ 10,673,573</u>	<u>\$ 6,475,500</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 247,775	\$ -	\$ 247,775	\$ 219,135
Refundable advances	-	3,000,000	3,000,000	-
Note payable	-	-	-	78,131
Grant payable	299,666	-	299,666	424,999
Total Liabilities	547,441	3,000,000	3,547,441	722,265
Net Assets	<u>4,109,509</u>	<u>3,016,623</u>	<u>7,126,132</u>	<u>5,753,235</u>
Total Liabilities and Net Assets	<u>\$ 4,656,950</u>	<u>\$ 6,016,623</u>	<u>\$ 10,673,573</u>	<u>\$ 6,475,500</u>

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD**Statement of Activities**

Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenue and Support				
Contributions	\$ 1,873,558	\$ 2,152,362	\$ 4,025,920	\$ 2,100,141
Library Shop Sales	302,582	-	302,582	222,106
In-kind Contributions	99,643	-	99,643	122,456
Investment Income	395,189	98,731	493,920	381,756
Net Assets Released From Restrictions, satisfaction of program restrictions	<u>2,354,550</u>	<u>(2,354,550)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	5,025,522	(103,457)	4,922,065	2,826,459
Expenses				
Program Services:				
San Diego Public Libraries	2,177,747	-	2,177,747	2,458,416
Library Shop	<u>343,079</u>	<u>-</u>	<u>343,079</u>	<u>261,289</u>
Total Program Services	2,520,826	-	2,520,826	2,719,705
Supporting Services:				
Management and General	589,041	-	589,041	568,722
Fundraising	<u>439,301</u>	<u>-</u>	<u>439,301</u>	<u>420,803</u>
Total Supporting Services	<u>1,028,342</u>	<u>-</u>	<u>1,028,342</u>	<u>989,525</u>
Total Expenses	<u>3,549,168</u>	<u>-</u>	<u>3,549,168</u>	<u>3,709,230</u>
Change in Net Assets	1,476,354	(103,457)	1,372,897	(882,771)
Net Assets, beginning	<u>2,633,155</u>	<u>3,120,080</u>	<u>5,753,235</u>	<u>6,636,006</u>
Net Assets, ending	<u>\$ 4,109,509</u>	<u>\$ 3,016,623</u>	<u>\$ 7,126,132</u>	<u>\$ 5,753,235</u>

See accompanying notes to financial statements.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Statement of Functional Expenses

Year Ended June 30, 2024 (With Comparative Totals for 2023)

	Program Services			Supporting Services				
	San Diego Public Libraries	Library Shop	Total Program Services	Management and General	Fundraising	Total Supporting Services	2024 Total	2023 Total
Library support	\$ 1,554,063	\$ -	\$ 1,554,063	\$ -	\$ -	\$ -	\$ 1,554,063	\$ 1,833,947
Personnel costs	503,086	136,127	639,213	461,953	332,878	794,831	1,434,044	1,347,863
Cost of goods sold	-	168,899	168,899	-	-	-	168,899	118,963
Occupancy	50,123	18,743	68,866	21,104	9,673	30,777	99,643	122,457
Computers and equipment	41,673	8,767	50,440	22,084	17,882	39,966	90,406	70,022
Contract services	-	-	-	-	55,876	55,876	55,876	46,514
Professional fees	-	-	-	38,047	-	38,047	38,047	57,575
Insurance	11,651	-	11,651	5,405	6,969	12,374	24,025	23,000
Dues and subscriptions	566	-	566	17,634	1,503	19,137	19,703	17,406
Travel, auto, and parking	8,477	-	8,477	5,583	4,446	10,029	18,506	13,517
Bank and merchant fees	-	8,961	8,961	8,298	-	8,298	17,259	11,098
Postage	2,965	-	2,965	5,256	1,055	6,311	9,276	4,770
Printing	3,314	-	3,314	385	3,485	3,870	7,184	9,305
Office	624	1,582	2,206	1,217	622	1,839	4,045	2,894
Donor relations and events	-	-	-	-	3,757	3,757	3,757	17,601
Staff training and development	1,205	-	1,205	1,464	681	2,145	3,350	10,410
Meetings	-	-	-	372	474	846	846	441
Other	-	-	-	239	-	239	239	1,447
Total Expenses	\$ 2,177,747	\$ 343,079	\$ 2,520,826	\$ 589,041	\$ 439,301	\$ 1,028,342	\$ 3,549,168	\$ 3,709,230

See accompanying notes to financial statements.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD**Statement of Cash Flows**

Year Ended June 30, 2024 (With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,372,897	\$ (882,771)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	(493,920)	(381,756)
Changes in operating assets and liabilities:		
Inventory	(818)	(29,042)
Prepaid expense and other assets	(9,901)	(1,861)
Accounts payable and accrued expenses	28,640	49,768
Refundable advances	3,000,000	-
Grants payable	<u>(125,333)</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	3,771,565	(1,245,662)
Cash Flows Provided by Investing Activities:		
Proceeds from sales of investments	<u>482,066</u>	<u>1,145</u>
Cash Flows Used by Financing Activities:		
Payment of long term debt	<u>(78,131)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,175,500	(1,244,517)
Cash and Cash Equivalents, beginning	<u>146,529</u>	<u>1,391,046</u>
Cash and Cash Equivalents, ending	<u><u>\$ 4,322,029</u></u>	<u><u>\$ 146,529</u></u>

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Notes to Financial Statements

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

San Diego Public Library Foundation dba Library Foundation SD (Foundation) is a California Nonprofit Corporation established in 2002. The Foundation strengthens communities by supporting excellence in the San Diego Public Library system through philanthropy, advocacy, and outreach. The Foundation will create a community where all people are engaged, literate, and empowered to fully participate in society. It accomplishes this vision by partnering with the San Diego Public Library with the mission to develop the world's best library system. The Foundation raises funds and provides a wide range of resources to meet ongoing needs at all 36 libraries throughout the City of San Diego including books, capital for new libraries, programs, equipment, technology, and online resources. Since inception, the Foundation has provided more than \$130,000,000 in funding to the San Diego Public Library system. Through donor support, the Foundation deepens the Library's role as a center of learning, creativity, and innovation in the digital age. Foundation donors help minds grow and enhance the Library's proven track record for strengthening communities throughout San Diego.

Library Shop

The Library Shop is located at the San Diego Central Library. All proceeds benefit the entire San Diego Public Library system. The Library Shop has a carefully curated selection of books, jewelry, children's merchandise, gifts, and art and supports local vendors and artisans whenever possible.

New Accounting Pronouncements

Effective July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivable, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability. Management has analyzed the provisions contained in Topic 326 and determined that there is no impact on net assets as of July 1, 2023, due to the adoption of the new policy.

Financial Statement Presentation

Method of accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (US GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation – The financial statements present information regarding the financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The FASB has issued reporting standards for endowments of not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Notes to Financial Statements

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2024 and 2023, due to the relative short maturities of these instruments. Investments acquired by gift are recorded at their fair market value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments immediately upon receipt.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Registered investment companies (mutual funds) – Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact that price.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are carried at market value, and realized and unrealized gains and losses are reflected in the change in net assets in the Statement of Activities.

Contributions Receivable

The Foundation's policy is to charge off uncollectible receivables when management determines the receivable will not be collected. Based on the information available, management believes that no allowance is needed as of June 30, 2024 and 2023. Contributions to be received over a period greater than one year from the date of the financial statements are discounted, when applicable.

Inventory

Inventory consists of Library Shop merchandise. Inventory is valued at the lower of average cost or net realizable value. Costs are determined on a first-in, first-out basis.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Notes to Financial Statements

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Equipment

The Foundation capitalizes all expenditures in excess of \$5,000 for equipment at cost, while donations of equipment are recorded at their estimated fair values. The Foundation has equipment with an original cost basis of \$33,623 that has been fully depreciated as of June 30, 2024 and 2023. Maintenance, repairs, and minor renewals are expensed as incurred.

Refundable Advances

Refundable advances represent cash received in advance of meeting conditions specified in contracts or agreements, including grants, and contributions. In 2024, the Foundation received a restricted contribution of \$3,000,000 for the expansion of the Ocean Beach Library. Revenue will be recognized in accordance with the progress of the project, subject to the following conditions:

- \$1,000,000 will be recognized upon commencement of the project,
- \$1,000,000 will be recognized when the project reaches 50% completion, and
- \$1,000,000 will be recognized when the project reaches 75% completion.

Donated Office Space, Office Support, and Other Outside Services and Materials

The Foundation received contributed office space, facility costs, printing, postage, and professional services totaling \$99,643 and \$122,456 for the years ended June 30, 2024 and 2023, respectively, which have been reflected in the financial statements as net assets without donor restrictions in-kind contributions revenue and program and supporting services expenses.

Additionally, a substantial number of volunteers have donated significant amounts of their time to the Foundation's fundraising campaigns. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2024 and 2023, did not meet the requirements above; therefore, no amount was recognized in the financial statements for volunteer time.

Allocated Expenses

Expenses by function have been allocated among program and supporting service classifications on the basis of internal records and estimates made by the Foundation's management. Each employee has their tasks and responsibilities broken down by program and supporting services, and weighted averages are used to allocate expenses.

Revenue Recognition

The Foundation recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The Foundation earns revenue from contracts with customers, primarily through Library Shop sales. The Foundation recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically at the point in time when the performance obligation is completed.

Sales contain a single delivery element and revenue is recognized at a single point in time when the sale is made and ownership, risks and rewards transfer.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Grants and conditional promises to give – that are, 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 met.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Notes to Financial Statements

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to in net assets without donor restrictions.

Income Taxes

The Foundation is a public charity and is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation is not a private foundation.

Concentration of Credit Risk

The Foundation maintains cash and cash equivalents in bank deposit and investment accounts. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000. The Foundation has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash and cash equivalents.

Note 2 – Liquidity and Availability

The following reflects the Foundation's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual obligations within one year of the Statement of Financial Position date.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,322,029	\$ 146,529
Investments	<u>6,198,923</u>	<u>6,187,069</u>
Total Financial Assets	10,520,952	6,333,598
Less amounts not available to be used within one year for general purposes:		
Restricted by donor with purpose or time restrictions	(3,016,623)	(3,120,080)
Board designated fund	<u>(100,093)</u>	<u>(146,192)</u>
Financial assets available to meet general expenditures within one year	\$ <u>7,404,236</u>	\$ <u>3,067,326</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Foundation structures its financial assets to be available as general expenditures and other obligations become due. In addition, the Foundation invests cash in excess of immediate requirements in money market and mutual funds. The Foundation's Board designated \$100,093 and \$146,192 as of June 30, 2024 and 2023, respectively, to promote increased understanding and appreciation of the life, times, setting, and poetry of Robert Frost through a variety of educational and scholarly programs.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD**Notes to Financial Statements**

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 3 – Investments and Fair Value Measurement

Investments consist of the following as of June 30, 2024:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds:				
Certificates of deposit	\$ 71,061	\$ -	\$ -	\$ 71,061
Large cap - domestic	3,195,800	-	-	3,195,800
Money market - prime	2,525,933	-	-	2,525,933
Money market - treasury	406,129	-	-	406,129
	<u>\$ 6,198,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,198,923</u>

Investments consist of the following as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds:				
Certificates of deposit	\$ 12,082	\$ -	\$ -	\$ 12,082
Large cap - domestic	2,599,275	-	-	2,599,275
Money market - prime	3,193,342	-	-	3,193,342
Money market - treasury	382,370	-	-	382,370
	<u>\$ 6,187,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,187,069</u>

Note 4 – In-kind Contributions

In-kind contributions included in the Statement of Activities are comprised of the following for the year ended June 30:

	2024	2023
Office Space (Foundation)	\$ 80,900	\$ 99,237
Retail Space (Library Shop)	18,743	23,219
	<u>\$ 99,643</u>	<u>\$ 122,456</u>

Fair value techniques – Office and retail spaces are valued using estimated commercial and retail prices of identical or similar spaces in the region.

Donor restriction and use – Office and retail space contributions are not restricted by the donor and the spaces are utilized by the Foundation.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD**Notes to Financial Statements**

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 5 – Note Payable

	<u>2024</u>	<u>2023</u>
The Foundation has received unsecured loans in the amounts of \$10,000 and \$90,000 from the Friends of San Diego Public Library to be used for start-up and operation costs of the Library Shop. The loans are noninterest bearing and are repayable only from profits generated by the Library Shop. In 2015, the Library Shop made a payment of \$18,000 even though it did not generate a profit. In 2019, the Library Shop made a payment of \$3,869 from its profit. In 2024, the Foundation made a payment of \$78,131, eliminating the remaining loan balance.	\$ <u>-</u>	\$ <u>78,131</u>

Note 6 – Grant PayableGrant Payable – NExT Program

In 2019, the Foundation entered into an agreement to fund and expand the Library NExT STEAM Program for \$637,500, starting in 2020, to be used at any time. Due to library closures as a result of the pandemic, payments on this program were paused until the libraries re-open to full capacity. In 2024, \$125,333 of the grant balance was reassessed based on the needs of the Library, and the related funding was transferred to the City of San Diego. As of June 30, 2024 and 2023, the balance of the grant payable was \$299,666 and \$424,999, respectively.

Note 7 – Restrictions on Net Assets

Net assets with donor restrictions consist of contributions received by the Foundation that have time and purpose restrictions to be fulfilled in the future and consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Net assets restricted for temporary purposes:		
Branch libraries operations	\$ 2,041,656	\$ 1,919,868
Library capital projects	<u>244,967</u>	<u>470,212</u>
	2,286,623	2,390,080
 Net assets restricted for purposes perpetual in nature	 <u>730,000</u>	 <u>730,000</u>
 Total net assets with donor restrictions	 <u>\$ 3,016,623</u>	 <u>\$ 3,120,080</u>

Net assets totaling \$2,354,550 and \$1,813,334 were released from donor restrictions by incurring expenses and costs satisfying the purpose restrictions specified by donors for the years ended June 30, 2024 and 2023, respectively.

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD

Notes to Financial Statements

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 8 – Endowment Net Assets

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Foundation has interpreted the enacted version of the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (1) the original value of gifts donated to the endowment (2) the original value of subsequent gifts donated to the endowment (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (4) earnings on endowment assets until they are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

From time to time, the fair value of the 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. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at June 30, 2024 and 2023. The Foundation has adopted investment and spending policies for endowment funds that:

- Manage the funds in a prudent manner recognizing risk and return tradeoffs
- Maintain a diversified portfolio that provides for asset growth through a combination of investment income and capital appreciation comparable to established industry benchmarks
- Maintain sufficient liquidity to fund expenses and support the spending policy
- Comply with applicable laws

Endowment composition by type of fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount required to be maintained in perpetuity by donor:			
Point Loma	\$ -	\$ 650,000	\$ 650,000
Logan Heights	-	80,000	80,000
	-	730,000	730,000
Accumulated investment gains	-	425,964	425,964
Total Endowment Funds	\$ -	\$ 1,155,964	\$ 1,155,964

SAN DIEGO PUBLIC LIBRARY FOUNDATION DBA LIBRARY FOUNDATION SD**Notes to Financial Statements**

Year Ended June 30, 2024 (With Comparative Totals for 2023)

Note 8 – Endowment Net Assets, continued

Endowment composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount required to be maintained in perpetuity by donor:			
Point Loma	\$ -	\$ 650,000	\$ 650,000
Logan Heights	-	80,000	80,000
	-	730,000	730,000
Accumulated investment gains	-	327,233	327,233
Total Endowment Funds	\$ -	\$ 1,057,233	\$ 1,057,233

Change in endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2023	\$ -	\$ 1,057,233	\$ 1,057,233
Investment gain	-	98,731	98,731
Releases	-	-	-
Transfer from endowment	-	-	-
Endowment net assets at June 30, 2024	\$ -	\$ 1,155,964	\$ 1,155,964

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2022	\$ -	\$ 1,360,088	\$ 1,360,088
Investment loss	-	106,286	106,286
Releases	-	(95,665)	(95,665)
Transfer from endowment	-	(313,476)	(313,476)
Endowment net assets at June 30, 2023	\$ -	\$ 1,057,233	\$ 1,057,233

During the year ended June 30, 2023, one donor removed the perpetual restrictions on gift to allow those funds to be used for other purposes. During the year ended June 30, 2024, no donors removed the perpetual restriction on gifts.

Note 9 – Library Support

Library support includes direct payments to the library as well as payments to vendors on behalf of the library. In 2022 the Foundation and its partners started a community-based coalition looking to improve San Diego's libraries and parks through a ballot initiative. The Foundation spent \$63,198 and \$260,136 on this initiative for the years ended June 30, 2024 and 2023, respectively.

Note 10 – Subsequent Events

The Foundation has evaluated subsequent events through November 22, 2024, which is the date the financial statements were available to be issued.