NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

CONTENTS

Guzman & Gray

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Newport Beach Public Library Foundation

We have audited the accompanying financial statements of Newport Beach Public Library Foundation (a California non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Beach Public Library Foundation as of June 30, 2021 and 2020, 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.

Guzman & Gray

Guzman & Gray, CPAs
Long Beach, CA
November 2, 2021

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020

ASSETS

	June 30, 2021	June 30, 2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 428,757	$ 391,175
Unconditional promises to give, net - current	8,500	9,700
Prepaid Expense	-	12,500
Total Current Assets	437,257	413,375
OTHER ASSETS		
Unconditional Promises to Give, net - Non-Current	2,046	4,974
Investments	3,144,065	2,394,008
Total Other Assets	3,146,111	2,398,982
PROPERTY AND EQUIPMENT, NET	2,991	3,763
TOTAL ASSETS	3,586,359	2,816,120

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts Payable	7,230	6,930
Accrued Liabilities	19,512	11,303
PPP Loan Payable	100,737	50,200
Deferred Revenue	-	23,000
Total Current Liabilities	127,479	91,433
NET ASSETS		
Without Donor Restriction	898,911	888,403
With Donor Restriction	2,559,969	1,836,284
Total Net Assets	3,458,880	2,724,687
TOTAL LIABILITIES AND NET ASSETS	$ 3,586,359	$ 2,816,120

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenues:						
Contributions and bequests	$ 117,556		$ 117,556	$ 317,927		$ 317,927
Program revenues	179,750	$ 201,096	380,846	140,538	$ 311,625	452,163
Investment income - net		750,193	750,193		63,530	63,530
Net assets released from restrictions	227,604	(227,604)		352,363	(352,363)	
Total support and revenues	524,910	723,685	1,248,595	810,828	22,792	833,620
Expenses:						
Program services	399,128		399,128	598,774		598,774
Supporting services:						
Management and general	70,411		70,411	76,160		76,160
Fundraising	44,863		44,863	46,153		46,153
Total expenses	514,402		514,402	721,087		721,087
Increase (Decrease) in Net Assets	10,508	723,685	734,193	89,741	22,792	$ 112,533
Net Assets, Beginning of Year	888,403	1,836,284	2,724,687	798,662	1,813,492	2,612,154
Net Assets, End of Year	$ 898,911	$ 2,559,969	$ 3,458,880	$ 888,403	$ 1,836,284	$ 2,724,687

See independent auditors' report and notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 178,689	$ 12,917	$ 23,682	$ 215,288	$ 206,443	$ 14,924	$ 27,360	$ 248,727
Payroll Taxes	20,183	1,459	2,675	24,317	19,382	1,401	2,569	23,352
Total Salary and related expenses	198,872	14,376	26,357	239,605	225,825	16,325	29,929	272,079
Newport Beach Public Library	88,000			88,000	155,000			155,000
Newsletter	7,997		2,126	10,123	17,034		4,528	21,562
Book Group Program	4,087			4,087	1,984			1,984
Depreciation and Amortization		772		772		253		253
Insurance		15,944		15,944		11,488		11,488
Hospitality	42	12	8	62	706	200	147	1,053
Bank Charges	3,954	400	651	5,005	5,474	554	901	6,929
Printing and Reproduction	764	67	124	955	1,285	112	209	1,606
Postage	2,538	367	434	3,339	1,252	181	215	1,648
Office Supplies	10,725	1,100	1,925	13,750	4,604	472	826	5,902
Miscellaneous	6,436	606	530	7,572	10,110	952	832	11,894
Dues and Subscriptions			2,953	2,953			2,309	2,309
Professional Fees		29,221		29,221		35,560		35,560
Seminars	844			844	1,267			1,267
Library Live	6,884			6,884	20,801			20,801
Annual Appeal	3,381		3,380	6,761	1,002		1,001	2,003
WITTE Program	45,063			45,063	134,091			134,091
Event Coordinator	-			-	1,703			1,703
Website Management	15,342		5,114	20,456	9,803		3,268	13,071
Software Updates	1,261	5,886	1,261	8,408	1,988	9,279	1,988	13,255
Medicine in our Backyard program	2,938			2,938	4,845			4,845
Travel		1,660		1,660		784		784
Total Program and Supporting Services Expenses	$ 399,128	$ 70,411	$ 44,863	$ 514,402	$ 598,774	$ 76,160	$ 46,153	$ 721,087

See independent auditors' report and notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 734,193	$ 112,533
Adjusted to reconcile increase (decrease) in net assets to net cash used in operating activites:		
Depreciation and amortization expense	772	253
Realized gain on investment securitites	(33,688)	(13,240)
Unrealized (gains) losses on investments	(541,838)	42,842
Changes in assets and liabilities:		
(Increase) decrease in:		
Unconditional promises to give	4,128	2,080
Prepaid expenses	12,500	(123)
Investment cash	3,471	3,471
Increase (decrease) in liabilities:		
Accounts payable	300	2,393
Accrued liabilities	8,209	1,089
Deferred reveue	(23,000)	23,000
Net cash provided by (used in) operating activities	165,047	174,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets		(3,861)
Proceeds from redemption of investment securities	151,665	166,525
Purchases of investment securities	(140,000)	
Dividend income	(189,667)	(107,564)
Net cash provided by (used in) investing activities	(178,002)	55,100
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	50,537	50,200
Net cash provided by financing activities	50,537	50,200
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	37,582	279,598
BEGINNING CASH AND CASH EQUIVALENTS	391,175	111,577
ENDING CASH AND CASH EQUIVALENTS	$ 428,757	$ 391,175

See independent auditors' report and notes to financial statements

NOTE 1 – ORGANIZATION

The Newport Beach Public Library Foundation (the Foundation) is a California not-for-profit organization established to raise supplemental funds from the community to ensure the ongoing excellence of the Newport Beach Public Library (the Library). In addition to annual fund raising activities, the Foundation has established an endowment fund to provide an on- going source of support for the Library.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. 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.

The Foundation has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Public Support and Revenue

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk- free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the promises to give are received from a broad base of Orange County contributors as a result of the annual campaign. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the related net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor-restricted support received and used for its restricted purpose in the same reporting period is reported as net assets without restriction.

Endowment contributions are restricted by the donor. Investment earnings and losses remain in net assets with donor restriction to be used as an ongoing source of support of the Library. The target goal of the Foundation is to allocate approximately 5% of the average market value of the Endowment Fund to the Library annually.

Donated Materials, Services and Facilities

Contributions of donated materials and other non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received. Donated services from unpaid volunteers who assist in fundraising and special projects and other volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. The Foundation received support in the form of free rent for the years ended June 30, 2021 and 2020. The estimated fair value of the rental of the premises is immaterial and not reported as support and expense in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Accordingly, actual results could differ from those of estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The Foundation maintains some of its cash and cash equivalents in deposit accounts which, at times, exceed federally insured limits. No losses have been experienced related to such accounts. The Foundation believes it places its cash with quality financial institutions and is not exposed to any significant cash concentrations.

Investments

Investments are composed of common stocks and mutual funds which are carried at fair value. Unrealized gains and losses are included in the change in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment
Equipment is capitalized at cost. It is the Foundation's policy to capitalize expenditures for these items in excess of $1,000. Lesser amounts are expensed. Equipment is depreciated over its estimated useful life of five years using the straight-line method.

Functional Allocation of Expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code with a similar exemption under state tax law.

Recently Adopted Accounting Standards
In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The new standard is effective for fiscal years beginning after December 15, 2019. No significant changes were made to prior year amounts during the adoption of the new standard.

In June, 2018 the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource provides as either exchange transactions or contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. No significant changes were made to prior year amounts during the adoption of the new standard.

Recently Issued Accounting Standards
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, 2021, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30, 2021 and 2020:

	2021	2020
Unrestricted Promises	$ 10,650	$ 14,950
Discount on Promises to Give	(104)	(746)
Net unconditional promise to give	$ 10,546	$ 14,674

	2021	2020
Amounts Due In:		
Less than one year	$ 8,500	$ 9,700
One to five years	2,046	5,250
Net unconditional promise to give	$ 10,546	$ 14,950

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and using a risk-free interest rate of 2.5% and 2.5% at June 30, 2021 and 2020, respectively, applicable to the years in which the promises are received to discount the amounts.

No allowance for uncollectible promises has been recorded by management at June 30, 2021 and 2020.

NOTE 4 – INVESTMENTS

Investments as of June 30, 2021 and 2020 are summarized as follows:

	2021		
	Cost	Fair Value	Unrealized Gain/(Loss)
Cash equivalents	$ 12,678	$ 12,678	$ 0
Mutual Funds	2,569,469	3,131,387	$ 561,918
Total Investments	$ 2,582,147	$ 3,144,065	$ 561,918

	2020		
	Cost	Fair Value	Unrealized Gain/(Loss)
Cash equivalents	302	302	0
Mutual Funds	$ 2,373,626	$ 2,393,706	$ 20,080
Total Investments	$ 2,373,928	$ 2,394,008	$ 20,080

NOTE 4 – INVESTMENTS (Continued)

The following schedule summarized the investment return and its classification in the statements of activities for the years ended June 30, 2021 and 2020:

	2021	
	Without Donor Restiction	With Donor Restriction
Interest and Dividends	$ -	$ 189,667
Realized Gain on Investments		33,688
Unrealized Gain on Investments		541,838
Management Fees		(15,000)
	$ -	$ 750,193

	2020	
	Without Donor Restiction	With Donor Restriction
Interest and Dividends	$ -	$ 108,128
Realized Gain on Investments		13,244
Unrealized Loss on Investments		(42,842)
Management Fees		(15,000)
	$ -	$ 63,530

NOTE 5 – EQUIPMENT

The Foundation's equipment consisted of the following at June 30, 2021and 2020:

	2021	2020
Equipment	$ 7,434	$ 7,434
Less: Accumulated Depreciation	(4,443)	(3,671)
	$ 2,991	$ 3,763

For the years ended December 31, 2021 and 2020, annual depreciation expense was $772 and $253, respectively.

NOTE 6 – FAIR VALUE

The Foundation adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures - Overall* (ASC 820-10), with respect to its financial and non-financial assets and liabilities. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly for substantially the full term of the asset or liability;

Level 3 prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Foundation's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at June 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 12,678	$ 12,678	$ -	$ -
Mutual Funds	3,131,387	3,131,387		
	$ 3,144,065	$ 3,144,065	$ -	$ -

	Fair Value at June 30, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 302	$ 302	$ -	$ -
Mutual Funds	2,393,706	2,393,706		
	$ 2,394,008	$ 2,394,008	$ -	$ -

NOTE 6 – FAIR VALUE (continued)

Cash equivalents are classified within Level 1 of the fair value hierarchy since these are valued using quoted market prices.

Investments comprising of mutual funds are classified within Level I and are valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 7 – ACCOUNTING AND REPORTING FOR ENDOWMENTS

Interpretation of Relevant Law
The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMI FA) 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 gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation or deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation.

Return Objectives and Risk Parameters
The Endowment Fund will be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents and other investments that may reflect varying rates of return. The overall rate of return objective for the portfolio is a reasonable rate consistent with the risk levels established by the Foundation's Finance Committee.

The investments will also be diversified within asset classes *(e.g.,* equities will be diversified by economic sector, industry, quality, and size). Portfolio diversification is intended to provide protection against a single security or class of securities having a disproportionate impact on aggregate performance.

The careful and thoughtful management of these assets is designed to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollars) the principal of the Endowment Fund and concurrently provide a stable component of income for distribution to the Library.

NOTE 7 – ACCOUNTING AND REPORTING FOR ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

The investment strategy shall be long-term, total return oriented, with a bias in favor of equities to achieve growth and broad diversification to control volatility of the value of the assets due to changing market conditions.

The asset allocation for the investment portfolio will be determined from time to time by the Finance Committee with the assistance of the Investment Managers to facilitate the achievement of the fund's long-term investment objective within the established risk parameters. Initially, the assets will be divided into the following asset classes:

	Maximum %	**Minimum %**	**Target %**
Large Capitalization Domestic Growth Equities	30	20	22.5
Large Capitalization Domestic Value Equities	30	20	22.5
Small/Mid Capitalization	20	0	15
International	20	0	15
Fixed Income	30	20	25

The actual asset allocation will fluctuate with market conditions. It will be reviewed quarterly by the Finance Committee, which will bear the responsibility for making adjustments in order to maintain target ranges. Any permanent changes to policy will be subject to approval of the Board of Directors.

Return: The return objective, measured over a full market cycle, shall be to exceed the return of the market, defined as the Foundation's asset allocation policy applied to the S&P 500 and the Barclays Capital Aggregate Bond Index, formerly the Lehman Brothers Aggregate Bond indices.

Risk: The portfolio should experience risk (volatility and variability of return) commensurate with that of the market. The market is defined as the Foundation's asset allocation policy applied to the S&P 500 Index and the Barclays Capital Aggregate Bond Index, formerly the Lehman Brothers Aggregate Bond indices.

The Foundation's investment advisors may, at their discretion, manage the assets under their control within the ranges specified for each asset class in the Board of Directors Investment Policy.

NOTE 7 – ACCOUNTING AND REPORTING FOR ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's Bylaws require the Board of Directors each year to request a statement of funding priorities from the Newport Beach Library Trustees and, unless the Foundation's Board of Directors has established a plan to accumulate funds, the Board of Directors is required within two years after funds have been contributed to the Foundation to distribute those funds to the Library. The Endowment Fund has been established by the Board of Directors under the authority of Article 7, and an amount from the Endowment Fund will be distributed to the Library quarterly, beginning in the first quarter of each fiscal year as a supplement to the funds which are distributed each year in response to the statement of priorities provided by the Newport Beach Library Trustees.

In developing its policy regarding the amount to be distributed from the Endowment Fund each year, the Foundation's Board of Directors considers the following factors:

- available assets;
- desired level of annual funding;
- Foundation's risk tolerance and investment mix;
- and avoidance of invasion and depletion of principal.

The funding rate is to be reviewed annually based on the performance of the portfolio and all the factors outlined above.

The target goal of the Foundation is to allocate 5% of the market value of the Endowment Fund to the Library annually. The market value of the Endowment Fund shall be determined quarterly. One quarter of the 5% gift shall then be disbursed in the quarter. This is intended to result in the total 5% gift being disbursed within a fiscal year such that the total annual gift would be reflected in the financial statements for that fiscal year. The Foundation's Board of Directors shall retain the discretion to increase or decrease the amount so allocated to the Library in any fiscal year as the Foundation is a non-profit corporation. The Foundation's Board of Directors shall also retain the discretion to use a portion of the dividend or interest income in any year to cover operating expenses of the Foundation.

NOTE 7 – ACCOUNTING AND REPORTING FOR ENDOWMENTS (Continued)

Changes in Endowment Net Assets

	June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Net Assets, Beginning of Year	$ -	$ 1,524,931	$ 1,524,931
Contributions	-	-	-
Investment Return:			
Investment income	-	174,667	174,667
Net appreciation (realized and unrealized)	-	575,526	575,526
Total investment return	-	750,193	750,193
Appropriation of Endowment Assets for Expenditure	88,000	(88,000)	-
Contribution to Newport Beach Library	(88,000)	-	(88,000)
Net Endowment Assets	$ -	$ 2,187,124	$ 2,187,124

	June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Net Assets, Beginning of Year	$ -	$ 1,616,401	$ 1,616,401
Contributions	-	-	-
Investment Return:			
Investment income	-	93,133	93,133
Net appreciation (realized and unrealized)	-	(29,603)	(29,603)
Total investment return	-	63,530	63,530
Appropriation of Endowment Assets for Expenditure	155,000	(155,000)	-
Contribution to Newport Beach Library	(155,000)	-	(155,000)
Net Endowment Assets	$ -	$ 1,524,931	$ 1,524,931

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of:

	June 30,	
	2021	2020
Perpetual Endowment Funds	$ 1,420,338	$ 1,420,338
Portion of Endowment Funds Restricted for purpose	766,786	104,593
	2,187,124	1,524,931
Program Activities	372,845	311,353
Total Net Assets With Donor Restrictions	$ 2,559,969	$ 1,836,284

NOTE 9 – 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 the following:

Cash	$ 428,757
Current pledges receivable, net	8,500
Investments	3,144,065
	3,581,322
Less net assets with donor restrictions	(2,559,969)
Total	$ 1,021,353

NOTE 10 – CONCENTRATION OF CREDIT RISK

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2021 and 2020, the cash balances held at financial institutions exceeded the amounts by $89,816 and $61,977, respectively. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.

Due to the ongoing global outbreak of the coronavirus, and the subsequent measures taken by local, state, and federal government, the Foundation is unable to accurately predict how the coronavirus will affect the results of its operation because the disease's severity and the duration of the outbreak are uncertain at this time.

NOTE 11 - PPP LOAN PAYABLE

First Draw of Paycheck Protection Program

In April 2020, the Foundation received loan proceeds in the amount of $50,200 from a local bank under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA"). The loan begins accruing interest at an annual rate of 1% per year and will mature in 24 months. The Foundation can apply for forgiveness of all or some of the loan principle and accrued interest as long as the borrower uses the loan proceeds for certain purposes, as outlined in the loan agreement.

Based on the above facts and circumstances, including the complexity and uncertainty of the timing of any forgiveness, the Foundation has adopted a policy to recognize the loan as a liability and will recognize income once any forgiveness is realized.

Second Draw of Paycheck Protection Program

In March 2021, the Foundation received loan proceeds in the amount of $50,537 from a local bank under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA"). The loan begins accruing interest at an annual rate of 1% per year and will mature in 24 months. The Foundation can apply for forgiveness of all or some of the loan principle and accrued interest as long as the borrower uses the loan proceeds for certain purposes, as outlined in the loan agreement.

Based on the above facts and circumstances, including the complexity and uncertainty of the timing of any forgiveness, the Foundation has adopted a policy to recognize the loan as a liability and will recognize income once any forgiveness is realized.

NOTE 12 – SUBSEQUENT EVENTS

PPP Loan Payables

Subsequent to the year ended June 30, 2021, the Foundation received forgiveness for the first draw Paycheck Protection Program loan of $50,200, and second draw Paycheck Protection Program loan of $50,537.

Subsequent Events

The Foundation has evaluated subsequent events through November 2, 2021, which was the date the financial statements were available to be issued. Management determined that no material subsequent events have occurred that would require disclosure or recognition in the accompanying financial statements for the years ended June 30, 2021 and 2020.