

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
Financial Statements
Year ended June 30, 2024
(With Independent Auditor's Report Thereon)

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Financial Statements

Year ended June 30, 2024

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Independent Auditor's Report

Board of Directors
Newport Beach Public Library Foundation
Newport Beach, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Newport Beach Public Library Foundation (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 accompanying financial statements present fairly, in all material respects, the financial position of Newport Beach Public Library Foundation as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended in conformity 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 (GAAS). 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 Newport 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.

Other Matters

The financial statements of Newport Beach Public Library Foundation for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 27, 2023. 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.

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

Newport Beach Public Library Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Newport 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 Newport 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.



Irvine, California
September 10, 2024

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
Statement of Financial Position
June 30, 2024
(with comparative totals for June 30, 2023)

	2024	2023
Assets:		
Cash and cash equivalents	\$ 1,565,055	3,289,840
Unconditional promises to give, net (note 3)	982,434	2,390
Prepaid expenses	8,616	-
Investments (note 4)	3,389,081	2,968,292
Land, buildings and equipment, net (note 5)	3,872	5,617
Total assets	\$ 5,949,058	6,266,139
Liabilities:		
Accounts payable	\$ 25,185	3,411
Accrued expenses	26,500	16,357
Due to City of Newport Beach (note 10)	2,056,043	-
Total liabilities	2,107,728	19,768
Net assets (note 6)		
Without donor restrictions	436,543	386,070
With donor restrictions	3,404,787	5,860,301
Total net assets	3,841,330	6,246,371
Total liabilities and net assets	\$ 5,949,058	6,266,139

See accompanying notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
Statement of Activities
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2024	2023
Support and Revenue:				
Contributions & bequests	\$ 576,244	6,244,170	6,820,414	3,398,162
In-kind contributions	-	-	-	2,500
Program revenues	110,469	-	110,469	78,001
Special events, net	-	-	-	16,168
Interest income, net	39,667	141,125	180,792	56,571
Unrealized and realized gain(loss) on investments	-	339,279	339,279	292,059
Net asset released from restrictions	9,180,088	(9,180,088)	-	-
Total support and revenues	<u>9,906,468</u>	<u>(2,455,514)</u>	<u>7,450,954</u>	<u>3,843,461</u>
Expenses:				
Program services	9,468,142	-	9,468,142	534,456
Supporting services				
Management and general	184,226	-	184,226	75,622
Fundraising	203,627	-	203,627	49,480
Total supporting services expenses	<u>387,853</u>	<u>-</u>	<u>387,853</u>	<u>125,102</u>
Total expenses	<u>9,855,995</u>	<u>-</u>	<u>9,855,995</u>	<u>659,558</u>
Change in net assets	50,473	(2,455,514)	(2,405,041)	3,183,903
Net assets at beginning of year	<u>386,070</u>	<u>5,860,301</u>	<u>6,246,371</u>	<u>3,062,468</u>
Net assets at end of year	<u>\$ 436,543</u>	<u>3,404,787</u>	<u>3,841,330</u>	<u>6,246,371</u>

See accompanying notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
Statement of Functional Expenses
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2024	2023
Salaries and benefits	\$ 72,970	77,234	106,364	256,568	255,518
Payroll taxes	6,427	5,781	8,584	20,792	20,115
Subtotal	79,397	83,015	114,948	277,360	275,633
Newport Beach Public Library	9,214,843	1,337	-	9,216,180	48,555
Depreciation and amortization	-	1,745	-	1,745	1,467
Equipment	10,061	-	1,379	11,440	12,784
Insurance	-	17,258	-	17,258	18,531
Bank charges	3,318	9,906	3,522	16,746	15,725
Printing and reproduction	1,844	11,382	13,037	26,263	28,870
Postage	320	1,648	2,409	4,377	3,372
Office supplies	1,876	1,215	7,145	10,236	5,479
Outside services	99,387	-	1,000	100,387	106,105
Miscellaneous expense	2,874	472	1,072	4,418	7,360
Dues and subscriptions	1,860	800	606	3,266	2,682
Professional fees	16,098	45,173	35,064	96,335	66,036
Website management	2,755	9,935	9,660	22,350	18,210
Travel	33,509	340	13,785	47,634	48,749
Total expenses	<u>\$ 9,468,142</u>	<u>184,226</u>	<u>203,627</u>	<u>9,855,995</u>	<u>659,558</u>

See accompanying notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION
Statement of Cash Flows
Year ended June 30, 2024
(with comparative totals for the year ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (2,405,041)	3,183,903
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	1,745	1,467
Realized gain on investment securities	-	(11,010)
Unrealized (gain) loss on investments	(339,279)	(233,952)
(Increase) decrease in unconditional promises to give	(980,044)	1,406
(Increase) decrease in prepaid expenses	(8,616)	737
Increase (decrease) in accounts payable	21,774	(11,218)
Increase (decrease) in accrued expenses	10,143	(2,061)
Increase (decrease) in Due to City of Newport Beach	<u>2,056,043</u>	<u>-</u>
Net cash provided by operating activities	<u>(1,643,275)</u>	<u>2,929,272</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	12,206
Purchase of investments	<u>(81,510)</u>	<u>(62,076)</u>
Net cash flows provided (used) by investing activities	<u>(81,510)</u>	<u>(49,870)</u>
Net increase (decrease) in cash and cash equivalents	(1,724,785)	2,879,402
Cash and cash equivalents at beginning of year	<u>3,289,840</u>	<u>410,438</u>
Cash and cash equivalents at end of year	<u>\$ 1,565,055</u>	<u>3,289,840</u>

See accompanying notes to financial statements

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(1) Nature of Foundation

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 ongoing source of support for the Library.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Significant estimates include the timing of income recognition from grants and contracts and methodologies of allocating expenses by function that could vary from those estimates that were assumed in preparing the financial statements, and those differences could be material.

(c) Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less that are neither held for nor restricted by donors for long-term purposes. The Foundation maintains some of its cash and cash equivalents in deposit accounts. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balances occasionally exceed those 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.

(d) Unconditional Promises to Give

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-adjusted rate. No allowance for uncollectible promises to give has been recorded by management at June 30, 2024 based on their evaluation of potential uncollectible promises.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

(e) Investments

The Foundation invests cash in excess of its immediate needs in accordance with its investment policy. Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

(f) Fair Value Measurements

The Foundation follows US GAAP guidance on Fair Value Measurements to report certain assets at fair value in financial statements. Inputs used to determine fair value refer broadly to assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (adjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These included quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

within the hierarchy is based upon the pricing transparency of the asset and does not necessarily corresponds to our assessment of the quality, risk, or liquidity profile of the asset. A significant portion of our investment assets are classified within Level 1 because they comprise open-ended mutual funds with readily determinable fair values based on daily redemption values.

(g) Property and Equipment

Property and equipment are capitalized at cost, or if donated, at fair value on the date of donation. It is the Foundation's policy to capitalize expenditures for these items in excess of \$1,000 and lesser amounts are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

(h) Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions – Net assets available for use for any purpose in performing the primary objectives of the Foundation and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Net assets released from donor restrictions - When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

(i) Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(j) Accounting for Contributions

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.

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 for 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.

(k) In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. We do not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

(l) 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 donor benefits." These are the actual costs of the items and services furnished to the donor to attend the special event. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time. The cost of direct donor benefits is netted against special events revenue in the statement of activities and changes in net assets.

(m) Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on department and job classification and management and general tasks.
- General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

(n) Income Taxes

The Foundation has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) and Section 23701(d) of the State Revenue and Taxation Code, respectively, as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(c)(2), and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Foundational Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

(o) Endowments

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2024 there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(p) Investment Return Objectives, Risk Parameters and Strategies

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.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

(q) 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.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(2) Summary of Significant Accounting Policies (Continued)

(r) 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 a total of 5% of the 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 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.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(3) Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30, 2024:

Unconditional promises	\$ 1,002,391
Present value discount	<u>(19,957)</u>
Unconditional promises to give, net	<u>\$ 982,434</u>

Amounts due in:

Less than one year	\$ 748,391
One to five years	<u>234,043</u>
	<u>\$ 982,434</u>

(4) Investments

Fair values of assets measured on a recurring basis at June 30, 2024 are as follows:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 1,019,704	-	-	1,019,704
Exchange traded funds	<u>2,369,377</u>	-	-	<u>2,369,377</u>
Total	<u>\$ 3,389,081</u>	-	-	<u>3,389,081</u>

Investment income consists of the following for the year ended June 30, 2024:

Interest and dividends	\$ 194,542
Unrealized gains (losses) on investments	339,279
Realized gains (losses) on investments	-
Less: Investment fees and expenses	<u>(13,750)</u>
Total	<u>\$ 520,071</u>

The Foundation uses the following ways to determine the fair value of its investments:

Mutual funds and Exchange traded funds: Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to Financial Statements

Year ended June 30, 2024

(5) Property and Equipment

Property and equipment at June 30, 2024 are summarized as follows:

Equipment	\$ 12,299
Less: Accumulated depreciation	<u>(8,427)</u>
Net property and equipment	<u>\$ 3,872</u>

For the year ended June 30, 2024 depreciation expense was \$1,745.

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of at June 30, 2024:

Endowment:		
Perpetual Endowment Funds	\$ 1,470,338	
Portion of Endowment Funds Restricted for purpose	<u>1,934,449</u>	
Total net assets with donor restrictions		<u>\$ 3,404,787</u>

(7) Endowments

The Foundation's endowments were established either by donors (referred to as *donor-restricted endowment funds*) and or by resources set aside by the Board of Directors to function as endowments (referred to as *board-designated endowment funds*). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The net asset composition of the endowment as of June 30, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ -	2,971,061	2,971,061
Contributions	-	50,000	50,000
Investment income, net	-	383,726	383,726
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>3,404,787</u>	<u>3,404,787</u>

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

Year ended June 30, 2024

(8) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,565,055
Contributions receivable, net	748,391
Investments	<u>3,389,081</u>
Total financial assets	5,702,527
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment funds	<u>(3,404,787)</u>
Amount available for general expenditures within one year	<u>\$ 2,297,740</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the organization's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds available for general use or from its designated endowment fund Note 2 provides more information about those funds and about the spending policies for all endowment funds.

(9) Concentrations of Credit Risk

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2024, the cash balances held at financial institutions exceeded the amounts by \$54,717. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.

(10) Due to City of Newport Beach

On November 30, 2021 the Foundation entered into a Memorandum of Understanding ("MOU") with the City of Newport Beach related to fundraising for the Library and Lecture Hall Project. The Lecture Hall Project will be a modern facility at the Central Library ("Library Lecture Hall") to accommodate Foundation programs as well as other library and community focused events to serve the Newport Beach residents. The Foundation is interested in helping fund the Project by seeking donations from existing supporters as well as from the community at large.

NEWPORT BEACH PUBLIC LIBRARY FOUNDATION

Notes to the Financial Statements

Year ended June 30, 2024

(10) Due to City of Newport Beach (Continued)

The Foundation entered into the third amendment of the MOU on January 9, 2024 committing to a contribution of \$11,743,968 to the Library Lecture Hall (50% of the estimated project costs). The Foundation contributed \$7,100,000 during the fiscal year ended June 30, 2024 through an escrow agreement and is committed to fund an additional \$4,643,968 paid to the City within two years of January 9, 2024 or prior to the City Council adoption of the notice of completion of construction of the Lecture Hall. The Foundation has recorded a liability due to the City of Newport Beach equal to donations and pledges through June 30, 2024 that have not yet been remitted to the City.

(11) Subsequent Events

Subsequent events have been evaluated by management through September 10, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. 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, 2024.