

The San Jose Public Library Foundation
(A California Nonprofit Organization)

Audited Financial Statements &
Independent Auditor's Report
December 31, 2023



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The San Jose Public Library Foundation
(A California Nonprofit Organization)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The San Jose Public Library Foundation
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The San Jose Public Library Foundation (a California Nonprofit Foundation) (the "Foundation") which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 the 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 the 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.

C & A LLP

May 16, 2024
Morgan Hill, California

Financial Statements

The San Jose Public Library Foundation

(A California Nonprofit Organization)

Statement of Financial Position

December 31, 2023

ASSETS

Cash and cash equivalents	\$ 2,346,218
Investments	13,492,395
Interest receivable	27,213
Promises to give	519,635
Other assets	29,848
Property and equipment, net	9,640
Endowment cash	193,007

Total Assets \$ 16,617,956

LIABILITIES

Accounts payable	\$ 69,210
Accrued expenses	99,169
Grants payable	757,675
Total Liabilities	<u><u>926,054</u></u>

NET ASSETS

Without donor restrictions:	
Designated by the board for operating reserves	776,638
Undesignated	427,587
Total without donor restrictions	<u><u>1,204,225</u></u>
With donor restrictions:	
Endowment:	
Perpetual in nature	193,007
Purpose restrictions	14,294,670
Total net assets with donor restrictions	<u><u>14,487,677</u></u>
Total Net Assets	<u><u>15,691,902</u></u>

Total Liabilities and Net Assets \$ 16,617,956

The accompanying notes are an integral part of these financial statements.

The San Jose Public Library Foundation

(A California Nonprofit Organization)

Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants:			
Donations, contributions and miscellaneous grants	\$ 453,565	\$ 2,544,214	\$ 2,997,779
Grants from the City of San Jose	50,000	2,575,000	2,625,000
In-kind contributions	40,760	26,885	67,645
Event Income	25,020	-	25,020
Net investment return	644,122	24,706	668,828
Net assets released from restrictions:			
Satisfaction of program restrictions	5,482,379	(5,482,379)	-
 Total Revenue and Support	 6,695,846	 (311,574)	 6,384,272
EXPENSES			
Program expenses:			
Educate	1,030,085	-	1,030,085
Engage	3,008,813	-	3,008,813
Empower	1,206,374	-	1,206,374
Total program expenses	5,245,272	-	5,245,272
Management and general expenses	878,925	-	878,925
Fundraising	306,586	-	306,586
 Total Expenses	 6,430,783	 -	 6,430,783
 Change in Net Assets	 265,063	 (311,574)	 (46,511)
 Prior Period Adjustments	 (856)	 856	 -
 Total Net Assets - Beginning	 940,018	 14,798,395	 15,738,413
 Total Net Assets - Ending	 \$ 1,204,225	 \$ 14,487,677	 \$ 15,691,902

The accompanying notes are an integral part of these financial statements.

The San Jose Public Library Foundation
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Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services				Management and General	Fundraising	Total Expenses
	Educate	Engage	Empower	Total			
Salaries	\$ 103,119	\$ 1,261,137	\$ 103,119	\$ 1,467,375	\$ 515,596	\$ 206,239	\$ 2,189,210
Payroll Taxes	8,605	147,426	8,605	164,636	43,026	17,210	224,872
Employee Benefits	14,389	78,662	14,389	107,440	71,946	28,778	208,164
Grants to Library	868,499	256,935	152,645	1,278,079	-	-	1,278,079
Grants to Others	-	870,000	511,975	1,381,975	-	-	1,381,975
Outside Services	37	243,907	167,962	411,906	163,122	24	575,052
Conferences and Meetings	2,658	2,656	2,656	7,970	7,970	1,689	17,629
Promotional Activities	-	1,394	222	1,616	-	21,450	23,066
Donor Appreciation	-	-	-	-	-	12,125	12,125
Licenses, Fees and Taxes	3,636	59,629	3,636	66,901	15,174	5,274	87,349
In-Kind Expenses	5,364	5,364	5,364	16,092	16,092	3,576	35,760
Office	5,407	12,622	20,030	38,059	16,227	3,606	57,892
Printing and Postage	4,797	5,371	5,397	15,565	14,387	3,197	33,149
Insurance	1,822	3,750	1,823	7,395	5,468	1,215	14,078
Travel	3,305	11,201	4,460	18,966	9,917	2,203	31,086
Computer Software and Supplies	-	32,745	34,641	67,386	-	-	67,386
Tuition and Scholarships	-	8,000	169,450	177,450	-	-	177,450
Rent	-	7,717	-	7,717	-	-	7,717
Equipment	8,447	-	-	8,447	-	-	8,447
Other	-	297	-	297	-	-	297
Totals	<u>\$ 1,030,085</u>	<u>\$ 3,008,813</u>	<u>\$ 1,206,374</u>	<u>\$ 5,245,272</u>	<u>\$ 878,925</u>	<u>\$ 306,586</u>	<u>\$ 6,430,783</u>

The accompanying notes are an integral part of these financial statements.

The San Jose Public Library Foundation

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Statement of Cash Flows

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (46,511)
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:	
Realized and unrealized (gain) loss on investments	(126,193)
Net investment returns	(516,948)
Investment (income) losses from endowments, net	(24,706)
Changes in operating assets and liabilities:	
Promises to give, net	12,823
Other assets	3,728
Accounts payable	(35,545)
Accrued expenses	10,737
Grants payable	127,164
Net cash provided by (used for) operating activities	<u>(595,451)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(9,640)
Transfers to investments	(2,495,000)
Transfers from investments	3,509,595
Net cash provided by (used for) investing activities	<u>1,004,955</u>

Net change in cash and cash equivalents 409,504

Cash and cash equivalents - beginning of year 1,936,714

Cash and cash equivalents - end of year \$ 2,346,218

Supplemental disclosure:

In-kind contributions - space and services	\$ 40,760
In-kind contributions - equipment	26,885
Total in-kind contributions	<u><u>\$ 67,645</u></u>

The accompanying notes are an integral part of these financial statements.

The San Jose Public Library Foundation

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Notes to Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - PRINCIPAL ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The San Jose Public Library Foundation (the “Organization” or the “Foundation”) is a 501(c)(3) corporation founded in 1987. The Foundation was established to develop resources that enhance the public library system in San Jose, California. The San José Public Library Foundation supports educational programs and resources through the public library, schools, and community-based organizations, to create an educated, equitable, empowered and engaged community. The Foundation identifies three programs in its financial statements: Educate, Engage and Empower, as follows:

Educate

The Foundation supports a variety of education and enrichment programs that serve residents of all ages, from infants to senior adults, making every library a center for lifelong learning and includes the Coding5K, Wee Programs, San Jose Learns, Partners in Reading, Career Online High School, and Tutoring Matters programs.

Engage

The Foundation enhances the library's role as the heart of the community, strengthening its function as a dependable and vibrant neighborhood gathering place, a trusted hub for sharing ideas, resources, and information and includes the Branch Support, Art and Culture, Teen HQ, Summer Learning, and SJ Engage programs.

Empower

The Foundation’s programs envision true equity by fortifying community members with the knowledge and skills to actively participate in democracy, bolstering their ability to move along life's path or to chart a new course entirely and includes the SJ Access, SJ Aspires, SJPL Works, Resilience Corps Learning Pathway, Family, Friend, Digital Inclusion, and Neighbor (FFN) Caregiver Support Network programs.

Basis of Presentation

The financial statements are presented using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for program support services. Management has determined the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. As of December 31, 2023, there was no allowance for uncollectable accounts.

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Notes to Financial Statements

For the Year Ended December 31, 2023

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Promises to Give and Grant Receivable

The Foundation records unconditional promises to give and grants receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and grants expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Foundation determines the allowance for uncollectable promises to give and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grant receivable are written off when deemed uncollectable. As of December 31, 2023, the Foundation did not record an allowance for uncollectable accounts.

Property and Equipment

The Foundation records property and equipment additions at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets of 3 years. 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 statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Management did not review the carrying values of property and equipment for impairment because they were immaterial to the financial statements as of December 31, 2023.

Grants Payable

The Foundation provides funding to various libraries, community-based organizations, and school districts in San Jose based on grant agreements, donor restrictions and needs assessments as evaluated by management and the board. There were no discounts applied to the grants since they will be paid within one year from the date of the financial statements.

Refundable Advances

When applicable, a transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as a refundable advance in the accompanying statement of financial position until the conditions have been substantially met or explicitly waived by the donor or grantor. Changes in refundable advances result from timing differences between payments received from donors and the satisfaction of the conditions within the contracts and grant agreements. Revenue is recognized when qualified expenses are incurred and conditions under the contract or grant agreement are met.

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Notes to Financial Statements

For the Year Ended December 31, 2023

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve. The reserve is intended to be used for emergencies and non-recurring situations and not to replace a permanent loss of funding or ongoing budget gaps. The board can approve the use of the reserve when cash flows are inadequate to meet monthly operating needs, and it is the policy of the board to take steps to replenish the operating reserve within a reasonable period-of-time. The following is a summary of the changes in the board designated endowment for the year ended December 31, 2023:

Board Designated Endowments:

Beginning balance	\$ 674,136
Investment gains (losses), net	<u>102,502</u>
Total Endowments	<u>\$ 776,638</u>

Net Assets With Donor Restrictions

Net assets subject to donor-imposed (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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

The Foundation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Foundation management expects that the period between when the Foundation transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Foundation elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

Program Fees

The Foundation provides services to individuals, groups and entities that ultimately furthers the mission of the Foundation, yet provides reciprocal value to these groups. Services include education, engagement, and empowerment programs. When applicable, the Foundation has a right to consideration from individuals, groups and entities in an amount that corresponds directly with the value provided upon the Foundation's date of completed performance. Individuals, groups and entities simultaneously receive and consume the benefits provided by the Foundation's performance obligations throughout the each period

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Notes to Financial Statements

For the Year Ended December 31, 2023

as services are provided. Therefore, the Foundation recognizes revenues as the services are provided. There was no program fee revenue reported during the year and there were no unsatisfied performance obligations as of December 31, 2023.

Administration Fees

The Foundation charges an administration fee of up to 15% of amounts contributed to administer certain grants and contributions. The fee is earned and recognized as revenue once the grant has been awarded or the contribution has been promised and all conditions have been met. Typically, the fee is included in the total amount awarded or promised as with or without donor restrictions, as appropriate, and then a reduction of the total grant or contribution is shown in the statement of activities to account for the admin fee as revenue without donor restrictions. Some agreements separately identify the administrative portion of the grant or contribution. In these scenarios, the revenue is classified as with or without donor restrictions as appropriate and the administrative fee is separately classified as without donor restrictions. Not all agreements, awards and contracts include an administration fee and each contract is evaluated to determine the appropriate accounting treatment. For the year ended December 31, 2023 the Foundation reported \$257,869 of administrative fees in unrestricted contributions.

Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Grants

Grants awarded by federal, state or local agencies, or passed through to the Foundation from another donor that received similar grants, are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenses are incurred and conditions under the grant agreement are met. The following summarizes the Foundation's grant revenue for the year ended December 31, 2023:

Grants	\$ 2,389,131
Administration Fees	<u>257,869</u>
Total Grants	<u>\$ 2,647,000</u>

Contribution Revenue

The Foundation receives support from individuals, local governments, corporations, groups, and other entities in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Foundation receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Foundation's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's 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. The Foundation records donated professional services at the respective fair values of the services received, when applicable. The Foundation reported revenue of \$67,645 for in-kind contributions during the year ended December 31, 2023.

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Advertising Costs

Advertising costs are expensed as incurred and during the year ended December 31, 2023, the Foundation incurred marketing expenses of \$1,615.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Foundation's unrelated business income tax was minimal and immaterial to the financial statements as of December 31, 2023.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Concentrations

For the year ended December 31, 2023, contributions were 47% and grants from the City of San Jose were 41% of the Foundation's total revenue.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash in accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. As of the date of these financial statements, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from entities that are supportive of the Foundation's mission. Investments are made by diversified investment managers/brokers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that its investment strategies are prudent for the long-term welfare of the Foundation. As of December 31, 2023 the carrying amount of the Foundation's total cash

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Notes to Financial Statements

For the Year Ended December 31, 2023

in banks was \$2,346,218 and the bank balance of the Foundation's accounts with banks was \$2,367,127, which was \$150,000 in excess of Federal Depository Insurance Corporation (FDIC) coverage. FDIC covers up to \$250,000 per bank for each entity.

Subsequent Events

Management has evaluated all subsequent events from the statement of financial position date of December 31, 2023, through the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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 and cash equivalents	\$ 2,346,218
Investments	13,492,395
Interest receivable	27,213
Promises to give	519,635
Restricted endowments	193,007
Less:	
Net assets with donor restrictions	(14,294,670)
Endowment	(193,007)
Grants payable	(757,675)
Accounts payable	(69,210)
Accrued expenses	(99,169)
Total	<u>\$ 1,164,737</u>

As part of its liquidity management plan, the foundation invests cash with a broker. Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments are restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 - INVESTMENTS

Management is required to make certain estimates in the preparation of the financial statements. Among those significant estimates is the valuation of investments without readily determinable fair values, if applicable. The Foundation did not have investments without readily determinable fair values as of December 31, 2023.

Risk Factors

Liquidity risk

Liquidity risk represents the risk that the Foundation may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the Foundation

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For the Year Ended December 31, 2023

were compelled to dispose of an illiquid investment at an inopportune time, the result may be a sale at a substantial discount to fair value. The Foundation utilizes brokers to invest in mutual funds that hold short and long-term stocks and bonds. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could further contract. As a result, the Foundation could find it more difficult to sell these securities or may only be able to sell these securities at amounts lower than if such securities were more widely traded.

Currency and foreign exchange risk

The Foundation did not hold investments denominated in currencies other than the U.S. dollar.

Interest rate and credit risk

The Foundation's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk of the issuer of the security becoming unable to pay interest or repay principal when it is due.

Market price risk

The value of securities held by the Foundation may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. The Foundation attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of relevant economic conditions.

Concentration risk

Investments were managed by a broker and were classified as summarized in Note 4.

NOTE 4 - FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, 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 or liability 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 or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2

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

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For the Year Ended December 31, 2023

Level 3

Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability 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, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability. The Foundation invests securities that are traded in the financial markets. Those securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

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

Description	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Investments:				
Schwab Federal Home Loan Banks	\$ 1,198,579	\$ 1,198,579	\$ -	\$ -
Schwab Broad High Yield Corporate Bond ETF	497,328	497,328	-	-
Schwab US Broad Market ETF	290,075	290,075	-	-
Schwab US Treasury ETF	3,691,909	3,691,909	-	-
Schwab Investment Grade Corporate Bond ETF	1,349,220	1,349,220	-	-
Schwab Broad USD Investment Grade Corporat	56,130	56,130	-	-
Schwab Floating Rate Bond ETF	5,669	5,669	-	-
Schwab US Treasury Bond ETF	2,751,272	2,751,272	-	-
Schwab TIPS Bond ETF	6,767	6,767	-	-
Schwab Corporate Bond Emerging ETF	39,330	39,330	-	-
Schwab Core Emerging Market ETF	84,840	84,840	-	-
Schwab Vanguard international bond ETF	128,293	128,293	-	-
Schwab Vanguard Emerging Market ETF	32,592	32,592	-	-
Schwab Vanguard Developed Markets ETF	211,761	211,761	-	-
Schwab cash and bank sweep at cost	3,341,637	-	-	-
Total investments	13,685,402	10,343,765	-	-
Less: restricted endowment	(193,007)	(193,007)	-	-
Total investments, net of endowments	\$13,492,395	\$ 10,150,758	\$ -	\$ -

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Notes to Financial Statements

For the Year Ended December 31, 2023

NOTE 5 - ENDOWMENT

The purpose of the Pat Dando Legacy Endowment Fund (the Fund) is to support children's programs, resources, and materials at the Almaden Branch of the San Jose Public Library. Children are defined as being age birth to 14 years old. All direct children's program costs, including materials, supplies, equipment, program personnel, capital projects, renovations, communications, may be paid by the Fund.

The Foundation's 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 December 31, 2023 there were no such donor stipulations. As a result of this interpretation, the foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts 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 by the Foundation in a manner consistent with the standard of prudence prescribed by 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 organization 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 organization
- The investment policies of the organization

As of December 31, 2023, the Foundation had the following endowment composition:

Endowment beginning balance	\$ 168,301
Investment return, net	<u>24,706</u>
Endowment ending balance	<u>\$ 193,007</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023, funds with original gift values of \$199,061 and fair values of \$193,007 were reported in net assets with donor restrictions.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Pat Dando Legacy Endowment Fund that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The

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For the Year Ended December 31, 2023

Pat Dando Legacy Endowment Fund investment strategy has been designed to achieve returns sufficient to cover reasonable spending plus inflation, while minimizing volatility. It is acknowledged that volatility is inherent in any long-term growth strategy. Short-term volatility will be tolerated to the extent it is consistent with the volatility of a comparable market index. A significant portion of the funds will be invested to seek growth of principal over time. An investment horizon of at least 10 years will be used to compensate for the volatility and market cycles of this long-term portfolio. It is recognized that equity investments have provided premium returns and growth over the long term compared with fixed income investments, although fixed income investments typically provide more stable value and lower volatility.

It is the Foundation's intent to spend a portion of the Pat Dando Legacy Endowment Fund's fair value each year, with the balance to remain invested in accordance with the Fund's investment policy. The target annual spending rate is up to 5% of the trailing 12-quarter moving average based on quarter-end fair values (generally, market values). The 12-quarter average reduces the impact on spending caused by market volatility. This calculation is to be performed annually using the 12 quarters ending September 30 of the current year to establish the projected amount for the subsequent year. Because each sub-fund within the overall Endowment Fund will have its own unique investment performance based on the timing of its cash flows, the spending calculation will be performed for each individual sub-fund within the overall Endowment Fund. An evaluation of actual spending year to date will be done prior to the literal transfer of funds for the current year, typically in the July-August timeframe. The amount subsequently transferred will not exceed the 5% authorized spend rate. The annual portfolio rebalancing will typically occur at this time as well. The Finance Committee of the Foundation may vary from this timing based on actual and projected spending as well as market conditions.

Changes in Endowment net assets for the year ended December 31, 2023 were as follows:

Restricted Endowments:

Original donor restricted contribution and amounts required to be maintained in perpetuity by donor	\$ 199,061
Accumulated investment gains (losses), net	3,946
Distributions	<u>(10,000)</u>
Total Endowment Net Assets	<u>\$ 193,007</u>

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give of \$519,635 were estimated to be collected within one year of December 31, 2023. Therefore, no discounts or allowances for uncollectible amounts have been applied to these balances.

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For the Year Ended December 31, 2023

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023:

Net Assets with Donor Restrictions

Endowments:

Restricted by donors for children's programs,
resources and materials at the Almaden Branch
of the San Jose Public Library \$ 193,007

Subject to Expenditure for Specified Purpose:

Educate 4,804,277
Engage 447,087
Empower 9,043,306

Total Net Assets with Donor Restrictions \$ 14,487,677

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended December 31, 2023:

Net Assets Released from Restrictions

Subject to Expenditure for Specified Purpose:

Educate \$ 3,207,859
Engage 978,264
Empower 1,296,256

Total Net Assets Released from Restrictions \$ 5,482,379

NOTE 8 - RETIREMENT PLAN

The Foundation maintains a 401(k) profit-sharing plan which covers substantially all employees meeting certain age and service requirements. The Foundation matches employee 401(k) contributions up to a certain percentage. Contributions to the profit-sharing plan are discretionary. The Foundation reserves the right to amend or terminate the plan at any time. The employer matching contributions totaled \$41,689 for the year ended December 31, 2023.