



SACRAMENTO LITERACY FOUNDATION

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021 AND 2020

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833

SACRAMENTO LITERACY FOUNDATION
TABLE OF CONTENTS
JUNE 30, 2021 AND 2020

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position as of June 30, 2021 and 2020	2
Statement of Activities for the year ended June 30, 2021	3
Statement of Activities for the year ended June 30, 2020	4
Statement of Functional Expenses for the year ended June 30, 2021	5
Statement of Functional Expenses for the year ended June 30, 2020	6
Statements of Cash Flows for the years ended June 30, 2021 and 2020	7
Notes to the Financial Statements	8 - 23



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Audit Committee of
Sacramento Literacy Foundation
Sacramento, California

We have audited the accompanying financial statements of Sacramento Literacy Foundation, (the Foundation), (a nonprofit 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.

Auditor's 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.

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 the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mann, Urrutia, Nelson CPA's

Sacramento, California
February 25, 2022

SACRAMENTO LITERACY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 611,650	\$ 620,714
Investments (Note 4 and 5)	403,061	372,092
Contributions receivable (Note 6)	51,722	40,925
Other assets	5,793	3,622
Total Current Assets	1,072,226	1,037,353
Non-Current Assets		
Investments (Note 4 and 5)	1,091,093	3,552,152
Contributions receivable, net of discount (Note 6)	20,550	55,439
Fixed Assets:		
Equipment and software	17,085	17,085
Less: accumulated depreciation	(13,114)	(10,694)
Total Fixed Assets, net	3,971	6,391
Total Non-Current Assets	1,115,614	3,613,982
Total Assets	\$ 2,187,840	\$ 4,651,335
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 22,841	\$ 35,664
Accrued vacation	8,851	10,066
Donations payable	-	2,001
Other liabilities	822	-
Note payable, current portion (Note 8)	-	11,131
Total Current Liabilities	32,514	58,862
Non-Current Liabilities		
Note payable, net of current portion (Note 8)	-	22,911
Total Non-Current Liabilities	-	22,911
Total Liabilities	32,514	81,773
Net Assets		
Without Donor Restrictions (Note 10)	977,667	1,510,284
With Donor Restrictions (Note 9)	1,177,659	3,059,278
Total Net Assets	2,155,326	4,569,562
Total Liabilities and Net Assets	\$ 2,187,840	\$ 4,651,335

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 243,197	\$ 124,916	\$ 368,113
Special event revenue	38,650	67,174	105,824
Reimbursed expenses	196,245	-	196,245
Net investment income	94,886	614,662	709,548
PPP loan forgiveness	<u>34,042</u>	<u>-</u>	<u>34,042</u>
Total Support and Revenue	<u>607,020</u>	<u>806,752</u>	<u>1,413,772</u>
Net assets released from restriction	<u>452,511</u>	<u>(452,511)</u>	<u>-</u>
Total Revenues	<u>1,059,531</u>	<u>354,241</u>	<u>1,413,772</u>
Expenses			
Program services	171,733	-	171,733
Fundraising	143,160	-	143,160
Management and general	<u>124,633</u>	<u>-</u>	<u>124,633</u>
Total Expenses	<u>439,526</u>	<u>-</u>	<u>439,526</u>
Change in Net Assets Before Effects of Unusual Transaction	620,005	354,241	974,246
Unusual Transaction			
Transfers out per Settlement Agreement (Note 17)	<u>(1,152,622)</u>	<u>(2,235,860)</u>	<u>(3,388,482)</u>
Change in Net Assets	(532,617)	(1,881,619)	(2,414,236)
Net Assets, July 1, 2020	<u>1,510,284</u>	<u>3,059,278</u>	<u>4,569,562</u>
Net Assets, June 30, 2021	<u>\$ 977,667</u>	<u>\$ 1,177,659</u>	<u>\$ 2,155,326</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 113,830	\$ 212,808	\$ 326,638
Special event revenue	70,154	32,604	102,758
Reimbursed expenses	137,651	-	137,651
In-kind revenue	7,235	-	7,235
Net investment income	<u>38,193</u>	<u>39,692</u>	<u>77,885</u>
Total Support and Revenue	367,063	285,104	652,167
Net assets released from restrictions	<u>170,472</u>	<u>(170,472)</u>	<u>-</u>
Total Revenues	<u>537,535</u>	<u>114,632</u>	<u>652,167</u>
Expenses			
Program services	357,196	-	357,196
Fundraising	99,430	-	99,430
Management and general	<u>275,179</u>	<u>-</u>	<u>275,179</u>
Total Expenses	<u>731,805</u>	<u>-</u>	<u>731,805</u>
Change in Net Assets	(194,270)	114,632	(79,638)
Net Assets, July 1, 2019	<u>1,704,554</u>	<u>2,944,646</u>	<u>4,649,200</u>
Net Assets, June 30, 2020	<u>\$ 1,510,284</u>	<u>\$ 3,059,278</u>	<u>\$ 4,569,562</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 110,049	\$ -	\$ -	\$ 110,049
Salaries and benefits	46,065	73,703	64,488	184,256
Professional services:				
Audit	3,500	5,600	4,900	14,000
Legal	-	25,947	-	25,947
Technology	269	430	377	1,076
Payroll	320	511	448	1,279
Occupancy and storage	4,244	6,790	5,942	16,976
Postage and shipping	-	-	9,083	9,083
Printing and publications	-	-	25,229	25,229
Advertising and promotion	-	-	18,980	18,980
Office supplies	1,362	2,177	1,906	5,445
Bank charges	712	1,139	996	2,847
Telephone	1,367	2,187	1,914	5,468
Dues, subscriptions and education	900	1,438	1,259	3,597
Donor database	-	-	3,515	3,515
Insurance	2,340	3,743	3,276	9,359
Depreciation	<u>605</u>	<u>968</u>	<u>847</u>	<u>2,420</u>
Total Expenses	\$ <u>171,733</u>	\$ <u>124,633</u>	\$ <u>143,160</u>	\$ <u>439,526</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 230,740	\$ -	\$ -	\$ 230,740
Salaries and benefits	94,303	47,151	47,151	188,605
Professional services:				
Audit	7,038	3,519	3,519	14,076
Legal	-	211,952	-	211,952
Technology	1,490	745	745	2,980
Payroll	610	305	305	1,220
Occupancy and storage	8,627	4,314	4,314	17,255
Postage and shipping	-	-	9,665	9,665
Printing and publications	-	-	16,396	16,396
Advertising and promotion	-	-	6,067	6,067
Meetings	486	243	243	972
Office supplies	2,557	1,278	1,278	5,113
Bank charges	1,703	851	851	3,405
Telephone	2,054	1,027	1,027	4,108
Dues, subscriptions and education	2,235	1,118	1,118	4,471
Donor database	-	-	4,075	4,075
Insurance	1,107	554	554	2,215
Travel	134	67	67	268
Depreciation	437	218	218	873
Other	58	28	28	114
In-kind	<u>3,617</u>	<u>1,809</u>	<u>1,809</u>	<u>7,235</u>
Total Expenses	<u>\$ 357,196</u>	<u>\$ 275,179</u>	<u>\$ 99,430</u>	<u>\$ 731,805</u>

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

SACRAMENTO LITERACY FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets before unusual transaction	\$ 974,246	\$ (79,638)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,420	873
Unrealized and realized (gains) on investments, net	(685,995)	(22,085)
PPP loan forgiveness	(34,042)	-
(Increase) decrease in:		
Contributions receivable	24,092	157,705
Other assets	(2,171)	(2,500)
Receivable from maturity of charitable remainder trust	369,272	-
Increase (decrease) in:		
Accounts payable	(12,823)	27,356
Donations payable	(2,001)	-
Accrued vacation	(1,215)	(3,805)
Other liabilities	822	(249)
Net Cash Provided by Operating Activities	<u>632,605</u>	<u>77,657</u>
Cash Flows from Investing Activities		
Purchase of investments	(186,670)	(571,206)
Purchase of fixed assets	-	(6,204)
Transfers out per Settlement Agreement	(3,388,482)	-
Proceeds from sales and maturities of investments	<u>2,933,483</u>	<u>778,562</u>
Net Cash Provided by (Used for) Investing Activities	<u>(641,669)</u>	<u>201,152</u>
Cash Flows from Financing Activities		
PPP loan proceeds	<u>-</u>	<u>34,042</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>34,042</u>
Increase (decrease) in Cash and Cash Equivalents	(9,064)	312,851
Cash and Cash Equivalents, Beginning of Year	<u>620,714</u>	<u>307,863</u>
Cash and Cash Equivalents, End of Year	<u>\$ 611,650</u>	<u>\$ 620,714</u>

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

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Sacramento Literacy Foundation (the Foundation), formerly the Sacramento Public Library Foundation, is a nonprofit public benefit corporation incorporated on June 11, 1984. Through September 2020, the operations of the Foundation were focused on raising funds for the Sacramento Public Library Authority, a Joint Powers Authority between the County of Sacramento and the cities of Citrus Heights, Galt, Isleton, Elk Grove, Rancho Cordova, and Sacramento, and since that time has been developing a new strategy to raise funds for literacy programs and initiatives in the Sacramento Region.

The Foundation's new mission will include supporting and/or creating systems that increase literacy in the community by raising private funds. The Foundation's activities will include endowment building, Authors on the Move annual event, the Walk4Literacy annual event, and the Community Literacy Map. The Foundation has been developing new program partners during the current fiscal year and expects to have additional literacy activities in future years.

Due to the corona virus pandemic (COVID-19), Authors on the Move was cancelled two days before the day of the event in March 2020. In March of 2021, the Foundation hosted Authors on the Zoom, a virtual version of Authors on the Move. Authors on the Move gives guests an evening of literary engagement through direct dialogue with up to 45 regional authors during an evening of fine dining. Guests have the opportunity to purchase the most recent book of each author. During the live auction guests contributed to the Promise Zone Literacy Initiative.

The Walk4Literacy event brings attention and resources to Sacramento's literacy shortfall while providing parents with a family literacy festival at the end of the walk where they can learn about and access literacy resources for their children. Again, because of COVID-19, this year's Walk4Literacy was virtual and conducted during the month of September. The Foundation is the fiduciary for the Walk4Literacy event. Revenue and expenses related to Walk4Literacy are recorded as net assets with donor restrictions. Walk4Literacy provides the Foundation with opportunities for new donor engagement, critical to the Foundation's continued growth, and opportunities to strengthen relationships across the literacy community. The Walk4Literacy event will return in person in October 2022.

The Community Literacy Map (www.communityliteracymap.org) is an opportunity for the Foundation to convene the network of literacy programs in its critical role in helping all children achieve grade level reading in Sacramento. The Community Literacy Map provides much needed data on the efficacy of the Library's Summer Reading Program in conjunction with other organizations who are delivering children's literacy programming in Sacramento County. This data allows the Foundation to see where there are further opportunities for expanding the Library's Summer Reading Program, where partnerships could enhance community literacy outcomes, and where resources are needed.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and are available for general operations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, 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.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Foundation considers as cash equivalents all highly liquid investments which can be converted into known amounts of cash and have a maturity period of 3 months or less at the time of purchase.

Investments

Investments are carried at estimated fair market value on the statement of financial position. Fair values of investments are estimated based on quoted market prices where available. 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.

Charitable Remainder Trust

The Foundation was a beneficiary of a charitable remainder trust that expired during the year ended June 30, 2021, after a 20-year sunset period. The agreement provided that the Foundation would receive 10% of the trust assets upon the sooner of the expiration of 20 years or the death of the last to die of the income beneficiaries. See Note 13 for further information.

Beneficial Interest in Assets Held by Others

A portion of the Sacramento Room Endowment is held in pooled investment accounts of the Sacramento Region Community Foundation. In March of 2021, those assets were permanently assigned to the Sacramento Region Community Foundation and taken off the Foundation's balance sheet. See Note 17 for further information.

Contributions Receivable

Unconditional promises to give are recorded as contributions receivable and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Management believes all contributions are collectible therefore there is no allowance recorded. Contributions to be received in future periods are discounted at an appropriate rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Fixed Assets

Acquisitions of fixed assets of \$1,000 or more are capitalized. Fixed assets are recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 5 to 7 years. Maintenance and repairs are charged to expenses as incurred.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Contributions are recognized in full when received or unconditionally promised. All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase the respective class of net assets. Contributions received with restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Special event revenue is recognized in the period the event is held.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributions of tangible assets are recorded at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or assets.

The Foundation recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Foundation receives services from a large number of volunteers who give significant amounts of their time to programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Functional Expense Allocation

The costs of providing the program and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources. The expenses that are allocated include salaries and benefits which are allocated based on time incurred and consultants, occupancy and storage, meetings, office supplies, bank charges, telephone, dues, subscriptions, education, insurance, travel, depreciation, and other which are allocated based on estimate of usage of resources.

Income Taxes

The Foundation, pursuant to a determination letter from the Internal Revenue Service, is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue code and Section 23701(d) of the California Revenue and Taxation Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2021 and June 30, 2020.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain reclassifications have been made to the June 30, 2020 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Subsequent events have been evaluated through February 25, 2022, which is the date the financial statements were available to be issued.

Use of Estimates

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

Recently Adopted Accounting Pronouncements

ASU 2018-13 - Fair Value Measurement: Changes to Disclosure Requirements for Fair Value Measurement

The purpose of this standard is to improve the effectiveness of disclosures about fair value measurements under ASC 820. Disclosure requirements including (1) transfers between Level 1 and Level 2 of the fair value hierarchy, (2) policy for timing of transfers between levels, (3) valuation processes for Level 3 measurements, and (4) changes in unrealized gains and losses for the period included for earnings for recurring Level 3 measurements. Additional disclosures are required for investments in certain entities that calculate net asset value such as timing of liquidation of an investee's assets and the date when restriction might relapse. Additional disclosures include disclosing changes in unrealized gains/losses for the period that are included in other comprehensive income for Level 3 measurements and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Foundation adopted this accounting guidance for its June 30, 2021 year-end. There was no impact to the Foundation's financial statements as a result of adopting this standard.

Future Accounting Pronouncements

ASU 2020-07 – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)

Under the new guidance, not-for-profit entities that receive contributed nonfinancial assets will be required to provide enhanced presentation and disclosures regarding the type and valuation of the receipts of nonfinancial assets. The requirements in the ASU require presentation of the receipt of nonfinancial assets as a separate line item in the statement of activities. The ASU also requires additional disclosures regarding qualitative information about the monetization or utilization of the nonfinancial assets, any donor-imposed restrictions on the use of the nonfinancial assets, and a description of the valuation techniques and inputs used to determine the fair value on the date the nonfinancial assets were received. The new requirements are effective for the Foundation's June 30, 2022 year-end. Management has not yet determined the impact of this accounting standard on the Foundation's operations or cash flows.

ASU 2016-02 - Leases (Topic 842):

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with a term of more than 12 months. Unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The new requirements are effective for the Foundation's June 30, 2023 year end. Management has not yet determined the impact of this accounting standard on the Foundation's operations or cash flows.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2: LIQUIDITY AND AVAILABILITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish and/or grow endowments that will exist in perpetuity; the income generated from such endowments is used to support programs and Foundation operations. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 77% of operating needs and is generated through direct mail and an annual gala event, *Authors on the Move*. The remaining operations budget is funded by management fees from endowments, fee for service projects such as the Walk4Literacy and the Community Literacy Map as well as investment income from the Foundation Operations Endowment. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation considers investment income without donor restrictions, appropriated earnings from board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and community grants.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation has an established grant cycle for the Walk4Literacy and established a grant cycle for the Children's Literacy Endowment during the current fiscal year. The Foundation reviews its liquidity monthly in order to maintain financial assets available to meet general expenditures. The Foundation maintains an operating reserve of 6 months of annual expenses for administrative, general, and fundraising expenses. Additionally, the Foundation holds board designated assets that in the case of an emergency, could be withdrawn from endowments and used for operations and grant commitments. The Foundation withdrew \$150,000 of Board Designated endowment investments from the Operations Endowment in March 2020 to be prepared to cover legal fees. In July of 2021, the legal settlement was complete, and the Foundation deposited \$130,000 back into the Operations Endowment.

The following table is updated monthly for the Board of Directors to Review:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 611,650	\$ 620,714
Investments	1,494,154	3,924,244
Contributions receivable, net	72,272	96,364
Total	2,178,076	4,641,322
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	(233,994)	(544,950)
Restricted by donors into perpetuity	(943,665)	(2,514,328)
Board designated reserve and endowment	(449,036)	(1,008,060)
Total financial assets available to management for general expenditure within one year	\$ 551,381	\$ 573,984

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2: LIQUIDITY AND AVAILABILITY (CONTINUED)

As of June 30, 2021 and June 30, 2020, the Foundation had 10 months and 11 months, respectively, of available cash to cover operations in the event of a crisis. In addition, as of June 30, 2021 and June 30, 2020, the Foundation held \$223,911 and \$782,935, respectively, in board designated assets that could be withdrawn and redirected if necessary.

The Liquidity of the Foundation has been closely monitored and managed by staff since the 2008 market collapse.

NOTE 3: CASH AND CASH EQUIVALENTS

The balance in cash and cash equivalents at June 30, 2021 and June 30, 2020 consisted of the following:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 535,167	\$ 348,208
Cash and cash equivalents - held in endowment investment accounts	<u>76,483</u>	<u>272,506</u>
Total cash and cash equivalents	<u>\$ 611,650</u>	<u>\$ 620,714</u>

The Foundation maintains bank accounts at several reputable financial institutions. As of June 30, 2021 the Foundation's total bank balance was \$474,220, of which \$250,000 was insured by the Federal Deposit Insurance Corporation and \$224,220 was uninsured. At June 30, 2020 the Foundation's total bank balance was \$332,277, of which \$250,000 was fully insured by the Federal Deposit Insurance Corporation and \$82,277 was uninsured.

NOTE 4: INVESTMENTS

Investment securities are reported in the financial statements at fair market value and consisted of the following at June 30, 2021 and June 30, 2020:

	June 30, 2021	June 30, 2020
Current investments:		
Exchange-traded funds	\$ 254,420	\$ 57,501
Mutual funds	<u>148,641</u>	<u>314,591</u>
Total current investments	<u>\$ 403,061</u>	<u>\$ 372,092</u>
Non-current investments:		
Endowments:		
Exchange-traded funds	\$ 756,270	\$ 977,398
Mutual funds	<u>334,823</u>	<u>2,047,360</u>
Total endowments	<u>1,091,093</u>	<u>3,024,758</u>
Beneficial interest in assets held by others	-	158,122
Receivable - beneficial interest in charitable remainder trust (Note 13)	<u>-</u>	<u>369,272</u>
Total non-current investments	<u>\$ 1,091,093</u>	<u>\$ 3,552,152</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4: INVESTMENTS (CONTINUED)

The following schedule summarizes the investment activity reported in the statements of activities:

	June 30, 2021	June 30, 2020
Interest and dividends	\$ 52,802	\$ 92,531
Unrealized gains	685,965	28,675
Realized gains (losses)	30	(6,590)
Investment fees	(29,249)	(36,731)
Net Investment Income	\$ 709,548	\$ 77,885

NOTE 5: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2021 or 2020. The Foundation had no assets or liabilities measured at fair value on a nonrecurring basis.

Mutual funds and exchange-traded funds: Fair value is based on quoted market prices in an active market, resulting in a Level 1 valuation.

Beneficial interest in assets held by others: Fair value is determined by calculating the present value of the future distributions expected to be received at an 8.5% discount rate, resulting in a Level 3 valuation.

Receivable - beneficial interest in charitable remainder trust: Fair value is determined using the amortized cost basis, which is provided by the Sacramento Region Community Foundation, resulting in a Level 3 valuation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value on a recurring basis as of June 30, 2021 and June 30, 2020.

Assets at Fair Value as of June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	\$ 483,464	\$ -	\$ -	\$ 483,464
Exchange-traded funds	<u>1,010,690</u>	<u>-</u>	<u>-</u>	<u>1,010,690</u>
Total assets at fair value	<u>\$ 1,494,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494,154</u>

Assets at Fair Value as of June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	\$ 2,361,951	\$ -	\$ -	\$ 2,361,951
Exchange-traded funds	1,034,899	-	-	1,034,899
Beneficial interest in assets held by others	-	-	158,122	158,122
Receivable - beneficial interest in charitable remainder trust	<u>-</u>	<u>-</u>	<u>369,272</u>	<u>369,272</u>
Total assets at fair value	<u>\$ 3,396,850</u>	<u>\$ -</u>	<u>\$ 527,394</u>	<u>\$ 3,924,244</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth a summary of changes in the fair value of the Foundation's Level 3 assets on a recurring basis for the years ended June 30, 2021 and June 30, 2020.

	Level 3 Assets as of June 30, 2021	
	Receivable - beneficial interest in charitable remainder trust	Beneficial interest in assets held by others
Balance, beginning of year	\$ 369,272	\$ 158,122
Relating to instruments still held at the reporting date:		
Maturity of CRT	(369,272)	-
Transfer out per settlement agreement	-	(158,122)
Balance, end of year	\$ -	\$ -
	Level 3 Assets as of June 30, 2020	
	Receivable - beneficial interest in charitable remainder trust	Beneficial interest in assets held by others
Balance, beginning of year	\$ 369,272	\$ 165,714
Relating to instruments still held at the reporting date:		
Unrealized losses included in investment income	-	(7,592)
Balance, end of year	\$ 369,272	\$ 158,122

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be realized in the following periods:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
In one year or less	\$ 51,722	\$ 40,925
Between one and four years	21,700	57,600
Less discount to net present value	<u>(1,150)</u>	<u>(2,161)</u>
Net contributions receivable	<u>\$ 72,272</u>	<u>\$ 96,364</u>

Contributions receivable are reported as follows in the Statements of Financial Position:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contributions receivable	\$ 51,722	\$ 40,925
Contributions receivable, net of discount	<u>20,550</u>	<u>55,439</u>
Net contributions receivable	<u>\$ 72,272</u>	<u>\$ 96,364</u>

Unconditional promises to give with expected payments extending beyond one year have been evaluated using a discount rate of 1.55%. The discount amount calculated was \$1,150 and \$2,161 as of June 30, 2021 and June 30, 2020, respectively. Management has determined that the unconditional promises to give are fully collectible. Therefore, no allowance for uncollectible accounts are considered necessary at June 30, 2021 and June 30, 2020.

NOTE 7: CONCENTRATION OF RISK

During the year ended June 30, 2021, approximately 57% of contributions and special event revenues was provided by two supporters. During the year ended June 30, 2020, no single supporter provided more than 10% of revenues.

As of June 30, 2021, approximately 74% of accounts receivable was provided by three supporters. As of June 30, 2020, approximately 76% of accounts receivable was provided by three supporter.

NOTE 8: NOTE PAYABLE

On April 3, 2020, the Foundation entered into a promissory note provided through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll in accordance with, and under, Section's 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed by the President of the United States on March 27, 2020. The Foundation received a loan in the amount of \$34,042. The interest rate is fixed at 1% per year for the term of the loan, maturing April 3, 2022. Principal and interest payments are deferred for the first six months of the note. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage, or utilities, with at least 75% of the forgiven amount to be used on payroll. No collateral or personal guarantees are required. As of June 30, 2020, the note payable balance was \$34,042. On February 8, 2021, the Foundation received notice that the balance was forgiven. The Foundation recognized contribution revenue for the amount of the note and removed the liability from the balance sheet as of June 30, 2021.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Endowments:		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Books and Materials	\$ -	\$ 1,051,317
Sacramento Room	-	729,634
SLF Operations	36,683	23,524
Children Literacy	906,978	650,192
Persian Language Books	-	24,158
Finegold Scholarship	<u>4</u>	<u>35,503</u>
Endowments total	<u>943,665</u>	<u>2,514,328</u>
Subject to expenditure for a specified purpose:		
Programs:		
Wonder Wagon	-	99
Literacy Map	104,752	37,142
Walk4Literacy	5,299	9,440
Summer Reading	-	49,263
Summer Reading 2	38,918	-
Colonial Heights	85,025	70,525
Branches	-	6,985
Sacramento Room	-	17
Other	<u>-</u>	<u>2,207</u>
Programs total	<u>233,994</u>	<u>175,678</u>
Subject to the passage of time	<u>-</u>	<u>369,272</u>
Total net assets with donor restrictions	<u>\$ 1,177,659</u>	<u>\$ 3,059,278</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Endowments:		
Books and Materials	\$ 184	\$ 62,516
Sacramento Room	1,015	58,438
SLF Operations	<u>2,227</u>	<u>-</u>
Endowments total	3,426	120,954
Subject to expenditure for a specific purpose:		
Programs		
Wonder Wagon	99	28,480
Literacy Map	-	21,038
Walk4Literacy	21,242	-
Summer Reading	49,263	-
Branches	6,985	-
Sacramento Room	17	-
Other	<u>2,207</u>	<u>-</u>
Programs total	79,813	49,518
Subject to the passage of time	<u>369,272</u>	<u>-</u>
Total net assets released from restriction	<u>\$ 452,511</u>	<u>\$ 170,472</u>

NOTE 10: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Without donor restrictions:		
Endowments:		
Books and Materials	\$ -	\$ 156,607
Sacramento Room	-	402,417
SLF Operations	35,498	35,498
Children's Literacy	<u>188,413</u>	<u>188,413</u>
Endowments total	<u>223,911</u>	<u>782,935</u>
Designated by the Board for:		
Reserves	225,125	225,125
Undesignated	<u>528,631</u>	<u>502,224</u>
Net assets without donor restrictions	<u>\$ 977,667</u>	<u>\$ 1,510,284</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11: ENDOWMENTS

Due to the Settlement Agreement dated January 20, 2021 between the Foundation and the Sacramento Public Library Authority, approved by the Attorney General on March 2, 2021, the Books and Materials Endowment, the Sacramento Room Endowment, the Persian Language Books, Materials and Programs Endowment, and the Lilian and Jack Sioukas Endowment for the Sacramento Room have all been transferred to the Sacramento Region Community Foundation. Additionally, the Ruthe Finegold Endowment was transferred to San Jose State University. See Note 17.

As of June 30, 2021, the Foundation now has the Children's Literacy and Operations endowments under management. The Children's Literacy Endowment directly benefits community organizations that deliver summer reading programming and submit a successful grant application. The Operations Endowment will directly benefit the Foundation's operation's and seek to create operational stability. These endowments include certain net assets without donor restrictions that have been designated for endowments by the Board of Directors. The Board of Directors has implemented policies and procedures that guide it to direct all unrestricted bequest gifts to endowments when possible. These gifts will make contributions to the Sacramento community in perpetuity – a fitting approach to an individual's final gift. The Board is aware that board designated endowment funds can be re-directed at any time the Board deems necessary.

The Board of Directors of the Foundation 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 first distribution of said endowment, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and June 30, 2020, there were no such donor stipulations.

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). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 none no of the endowments held by the Foundation were underwater and at June 30, 2020 the Persian Language Books, Materials and Programs Endowment (PLBMPE) was underwater by \$841. The donor of the PLBMPE was provided with this information 45 days in advance of the distribution and did not object to the distribution.

Investment and Spending Policies

The Foundation adopted investment and spending policies for their endowments that provide a predictable stream of funding for the community and the Foundation 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 target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through an asset allocation that achieves both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation uses an endowment spending-rate formula to determine the amount to spend from the endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters in April of each year to determine the distribution for the current year. During 2021 and 2020, the spending rate was 4.55% and 3.62%, respectively. In establishing this policy, the long-term expected return on the endowment was considered and the rate set with the objective of maintaining the purchasing power of the endowment over time and maintaining the level of support distributed annually to the Library.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11: ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Board-designated endowment funds	\$ 223,911	\$ -	\$ 223,911
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	684,237	684,237
Accumulated investment gains	<u>-</u>	<u>259,428</u>	<u>259,428</u>
 Total	 <u>\$ 223,911</u>	 <u>\$ 943,665</u>	 <u>\$ 1,167,576</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 782,935	\$ 2,514,328	\$ 3,297,263
Contributions	-	50,535	50,535
Investment income	-	130,114	130,114
Net appreciation	-	484,548	484,548
Transfers per Settlement Agreement	<u>(559,024)</u>	<u>(2,235,860)</u>	<u>(2,794,884)</u>
 Endowment net assets, end of year	 <u>\$ 223,911</u>	 <u>\$ 943,665</u>	 <u>\$ 1,167,576</u>

Endowment net asset composition by type of fund as of June 30, 2020 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Board-designated endowment funds	\$ 782,935	\$ -	\$ 782,935
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,040,864	2,040,864
Accumulated investment gains	<u>-</u>	<u>473,464</u>	<u>473,464</u>
 Total	 <u>\$ 782,935</u>	 <u>\$ 2,514,328</u>	 <u>\$ 3,297,263</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 932,935	\$ 2,457,289	\$ 3,390,224
Contributions	-	125,000	125,000
Investment income	-	82,811	82,811
Net appreciation	-	(43,119)	(43,119)
Amount appropriated for expenditure	-	(107,653)	(107,653)
Board designations	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
 Endowment net assets, end of year	 <u>\$ 782,935</u>	 <u>\$ 2,514,328</u>	 <u>\$ 3,297,263</u>

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12: TRANSACTIONS WITH THE LIBRARY

The Foundation's purpose, until September 24, 2020, was to support projects of the Sacramento Public Library; substantially all program services through that date relate to payments to or on behalf of the Library. Cash payments made to or on behalf of the Library for the years ended June 30, 2021 and June 30, 2020 totaled \$63,108 and \$149,434, respectively. As part of the settlement agreement reached on September 24, 2020, an additional \$335,715 was distributed to the Library. See Note 17 for further information on the settlement agreement.

NOTE 13: SPLIT INTEREST AGREEMENTS

Charitable Remainder Trust

The Foundation's interest in the charitable remainder trust of \$369,272 came due on September 21, 2020.

NOTE 14: EMPLOYEE BENEFIT PLAN

The Foundation has a Savings Incentive Match Plan for Employees of Small Employers (the Plan). The Plan covers all employees. Under the terms of the Plan, the Foundation matches employee contributions dollar for dollar up to a maximum of 3% of compensation. Contributions to the Plan for the years ended June 30, 2021 and June 30, 2020 totaled \$4,220 and \$5,372, respectively.

NOTE 15: OPERATING LEASES

The Foundation leases its facilities under an operating lease. Rental expense for the years ended June 30, 2021 and 2020 related to this lease totaled \$14,806 and \$14,416, respectively. As of February 1, 2022, the Foundation is on a month-to-month lease and considering a one-year lease.

Future minimum commitments under operating leases are as follows:

For fiscal year ending

June 30, 2022	\$ <u>9,082</u>
Total	\$ <u><u>9,082</u></u>

NOTE 16: COMMITMENTS AND CONTINGENCIES

The World Health Organization declared the worldwide Coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as contributions receivable, fixed assets, and notes payable to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the Foundation.

NOTE 17: SETTLEMENT AGREEMENT TRANSFERS

On March 31, 2020, the Sacramento Public Library Authority (the "Authority") filed suit against the Foundation demanding that the Foundation change their name and relinquish their assets.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 17: SETTLEMENT AGREEMENT TRANSFERS (CONTINUED)

On September 24, 2020 (the "Record Date"), the terms of the settlement of the above-referenced litigation were placed of record with the court, subject to negotiation of a formal written settlement agreement. A formal written settlement agreement was executed on January 15, 2021, and approved by the California Attorney General on March 2, 2021 (the "Approval Date"). The settlement agreement provided, among other things, for the following:

1. The Foundation changed its name to the "Sacramento Literacy Foundation".
2. The Books and Materials Endowment, the Sacramento Room Endowment, and the Persian Language Books, Materials, and Program Endowment was transferred to the Sacramento Region Community Foundation (the "SRCF") and the Ruthie Finegold Endowment was transferred to San Jose State University. All endowments are held under the same terms and conditions as originally and previously held.
3. The Children's Literacy Endowment and the Operations Endowment remain with the Foundation.
4. Unrestricted bequests, where the donor's death occurred before the settlement date, and donations received by the Foundation between September 24, 2020, the Record Date, and the Approval Date of the final settlement were split 50/50 between the Foundation and the Authority. On March 2, 2021, the Approval Date, \$109,474 was given to the Library under this agreement. On July 29, 2021, another \$47,125 was given to the Library under this agreement. In all cases, bequests and donations will be allocated in accordance with any express donor intent.

Donations intended for the Library received after the Approval Date of the final settlement, and unrestricted bequests intended for the Library, where the donor's death occurs following the Approval Date of the final settlement, are returned to their originator with information on how to reach the Library Authority.

5. The Foundation transferred its ownership of a Wayne Thiebaud painting that currently hangs in the Library's Sacramento Room to the SRCF, with the consent of the artist.