
SACRAMENTO LITERACY FOUNDATION

SACRAMENTO
LITERACY
FOUNDATION



FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022 AND 2021

Nelson & Associates, CPA's
2230 Longport Drive, Suite 110
Elk Grove, CA 95758

SACRAMENTO LITERACY FOUNDATION
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Nelson & Associates
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Sacramento Literacy Foundation
Sacramento, California

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Sacramento Literacy Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sacramento Literacy Foundation as of June 30, 2022, 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. 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 Sacramento Literacy 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.

Prior Period Financial Statements

The financial statements as of June 30, 2021 were audited by other auditors whose report dated November 16, 2021 expressed an unmodified opinion on those statements.

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 Sacramento Literacy Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

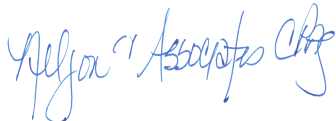
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Sacramento Literacy 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 Sacramento Literacy 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.



Elk Grove, CA
March 30, 2023

SACRAMENTO LITERACY FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2022 and 2021

| ASSETS | 2022 | 2021 |
|--|---------------------|---------------------|
| | <u> </u> | <u> </u> |
| Current Assets | | |
| Cash and cash equivalents (Note 3) | \$ 356,185 | \$ 611,650 |
| Investments (Note 4 and 5) | 329,181 | 403,061 |
| Contributions receivable (Note 6) | 52,126 | 51,722 |
| Other assets | <u>4,669</u> | <u>5,793</u> |
| Total Current Assets | <u>742,161</u> | <u>1,072,226</u> |
| Non-Current Assets | | |
| Investments (Note 4 and 5) | 1,023,283 | 1,091,093 |
| Contributions receivable, net of discount (Note 6) | 2,300 | 20,550 |
| Fixed Assets: | | |
| Equipment and software | 8,609 | 17,085 |
| Less: accumulated depreciation | <u>(5,894)</u> | <u>(13,114)</u> |
| Total Fixed Assets | 2,715 | 3,971 |
| Total Non-Current Assets | <u>1,025,998</u> | <u>1,115,614</u> |
| Total Assets | <u>1,770,459</u> | <u>2,187,840</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 18,214 | \$ 22,841 |
| Accrued vacation | 13,294 | 8,851 |
| Other liabilities | <u>-</u> | <u>822</u> |
| Total Liabilities | <u>31,508</u> | <u>32,514</u> |
| Net Assets | | |
| Without donor restrictions (Note 1 and 9) | 844,623 | 977,667 |
| With donor restrictions (Note 1 and 8) | <u>894,328</u> | <u>1,177,659</u> |
| Total Net Assets | <u>1,738,951</u> | <u>2,155,326</u> |
| Total Liabilities and Net Assets | <u>\$ 1,770,459</u> | <u>\$ 2,187,840</u> |

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

SACRAMENTO LITERACY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|------------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| Contributions | \$ 217,196 | \$ 20,062 | \$ 237,258 |
| Special event revenue | 180,800 | 141,050 | 321,850 |
| Less direct event expenses | (74,772) | - | (74,772) |
| Net investment income (loss) | (89,824) | (150,179) | (240,003) |
| Total Revenue, Support, and Gains | 233,400 | 10,933 | 244,333 |
| Net assets released from restriction (Note 8) | 247,139 | (247,139) | - |
| Total Revenue, Support and Gains | 480,539 | (236,206) | 244,333 |
| EXPENSES | | | |
| Program Services | 492,536 | - | 492,536 |
| Management and general | 34,226 | - | 34,226 |
| Fundraising | 86,821 | - | 86,821 |
| Total Expenses | 613,583 | - | 613,583 |
| Change in Net Assets Before Effects of Unusual Transaction | (133,044) | (236,206) | (369,250) |
| Unusual Transaction: | | | |
| Transfers out per Settlement Agreement (Note 14) | - | (47,125) | (47,125) |
| Change in net assets | (133,044) | (283,331) | (416,375) |
| Net Assets - Beginning of year | 977,667 | 1,177,659 | 2,155,326 |
| Net Assets - End of year | \$ 844,623 | \$ 894,328 | \$ 1,738,951 |

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 |
|--|---------------------------------------|------------------------------------|---------------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| 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 Revenue, Support, and Gains | <u>607,020</u> | <u>806,752</u> | <u>1,413,772</u> |
| Net assets released from restriction (Note 8) | <u>452,511</u> | <u>(452,511)</u> | <u>-</u> |
| Total Revenue, Support and Gains | <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 14) | <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 - Beginning of year | <u>1,510,284</u> | <u>3,059,278</u> | <u>4,569,562</u> |
| Net Assets - End of year | <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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2022 Total</u> |
|-----------------------------------|-------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages | \$ 179,847 | \$ 24,304 | \$ 38,886 | \$ 243,037 |
| Advertising and promotion | - | - | 1,636 | 1,636 |
| Bank charges | 4,941 | 668 | 1,068 | 6,677 |
| Depreciation | 1,402 | 189 | 303 | 1,894 |
| Donor database | - | - | 6,185 | 6,185 |
| Dues, subscriptions and education | 3,410 | 461 | 737 | 4,608 |
| Grants | 76,367 | - | - | 76,367 |
| Insurance | 9,199 | 1,243 | 1,989 | 12,431 |
| Miscellaneous | 1,575 | 213 | 341 | 2,129 |
| Occupancy and storage | 13,207 | 1,785 | 2,856 | 17,848 |
| Office supplies | 4,834 | 653 | 1,045 | 6,532 |
| Postage and shipping | - | - | 9,272 | 9,272 |
| Printing and publications | - | - | 18,441 | 18,441 |
| Professional services: | | | | |
| Audit | 11,914 | 1,610 | 2,576 | 16,100 |
| Consulting | 724 | 98 | 156 | 978 |
| Legal | - | 2,025 | - | 2,025 |
| Payroll | 774 | 387 | 387 | 1,548 |
| Program expenses | 179,979 | - | - | 179,979 |
| Telephone | 3,816 | 516 | 825 | 5,157 |
| Travel | 547 | 74 | 118 | 739 |
| | <u>\$ 492,536</u> | <u>\$ 34,226</u> | <u>\$ 86,821</u> | <u>\$ 613,583</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>Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2021 Total</u> |
|-----------------------------------|-------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages | \$ 46,065 | \$ 73,703 | \$ 64,488 | \$ 184,256 |
| Advertising and promotion | - | - | 18,980 | 18,980 |
| Bank charges | 712 | 1,139 | 996 | 2,847 |
| Depreciation | 605 | 968 | 847 | 2,420 |
| Donor database | - | - | 3,515 | 3,515 |
| Dues, subscriptions and education | 900 | 1,438 | 1,259 | 3,597 |
| Grants | 110,049 | - | - | 110,049 |
| Insurance | 2,340 | 3,743 | 3,276 | 9,359 |
| Occupancy and storage | 4,244 | 6,790 | 5,942 | 16,976 |
| Office supplies | 1,362 | 2,177 | 1,906 | 5,445 |
| Postage and shipping | - | - | 9,083 | 9,083 |
| Printing and publications | - | - | 25,229 | 25,229 |
| Professional services: | | | | |
| Audit | 3,500 | 5,600 | 4,900 | 14,000 |
| Legal | - | 25,947 | - | 25,947 |
| Payroll | 320 | 511 | 448 | 1,279 |
| Technology | 269 | 430 | 377 | 1,076 |
| Telephone | 1,367 | 2,187 | 1,914 | 5,468 |
| | <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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

| | 2022 | 2021 |
|---|-------------------|-------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ (369,250) | \$ 974,246 |
| Adjustments to reconcile net assets to net cash flows provided by operating activities: | | |
| Depreciation | 1,894 | 2,420 |
| Unrealized (gain) loss | 256,565 | (685,995) |
| PPP loan forgiveness | - | (34,042) |
| Change in operating assets and liabilities: | | |
| Receivable from split interest agreements | - | 369,272 |
| Contributions receivable | 17,846 | 24,092 |
| Other assets | 1,124 | (2,171) |
| Accounts payable | (4,627) | (12,823) |
| Accrued vacation | 4,443 | (1,215) |
| Other liabilities | (822) | 822 |
| Donations payable | - | (2,001) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (92,827) | 632,605 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of fixed assets | (638) | - |
| Purchases of investments | (356,097) | (186,670) |
| Transfers out per Settlement Agreement | (47,125) | (3,388,482) |
| Proceeds from sales and maturities of investments | 239,512 | 2,933,483 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | (164,348) | (641,669) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (257,175) | (9,064) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 611,650 | 620,714 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 356,185 | \$ 611,650 |

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

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Sacramento Literacy Foundation (the Foundation) is a California 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 include endowment building, Authors on the Move annual event, the Walk4Literacy annual event, and the Community Literacy Map. The Foundation has been working on expanding and diversifying its literacy program partners during the current fiscal year and expects to have additional literacy activities in future years.

Authors on the Move gives guests an evening of literary engagement through direct dialogue with up to 24 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 can contribute to literacy programming. Authors on the Move was held on March 13, 2022.

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. The Walk4Literacy was held on October 1st, 2022. In 2021, because of COVID-19, the Walk4Literacy was virtual. 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.

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, 2022 AND 2021

NOTE 1: 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 income (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 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 or the last to die of the income beneficiaries. The Foundation was not a beneficiary of any charitable remainder trusts during the year ended June 30, 2022.

Beneficial Interest in Assets Held by Others

A portion of the Sacramento Room Endowment was 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 for the year ended June 30, 2021. There were no beneficial interest in assets held by others during the year ended June 30, 2022. See Note 14 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 3 to 5 years. Maintenance and repairs are charged to expenses as incurred.

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.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

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 Statements 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 is organized as a California not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, it is not obligated to pay federal or state corporate income taxes unless its unrelated business income as defined by the Internal Revenue Service Code, exceeds \$1,000. The Foundation did not generate unrelated business income and is, therefore, not subject to federal or state corporate income taxes for the year ended June 30, 2022. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(2).

The Foundation has accounted for uncertainty in income taxes as required by the Accounting for Uncertainty in Income Taxes topic of the FASB Accounting Standards Codification. The Foundation uses comprehensive model for recognizing, and measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain reclassifications have been made to the June 30, 2021 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.

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 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 determined there is no impact of this accounting standard on the Foundation's operations or cash flows.

Future Accounting Pronouncements

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.

Subsequent Events

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

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 investment income from the Foundation Operations Endowment. Annual operations are defined as activities occurring during the Foundation's fiscal year.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2: LIQUIDITY AND AVAILABILITY (CONTINUED)

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.
- Maintain adequate liquid assets, and
- Maintain 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 established grant cycles for the Walk4Literacy and the Children's Literacy Endowment. 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, 2022 | June 30, 2021 |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 356,185 | \$ 611,650 |
| Investments | 1,352,464 | 1,494,154 |
| Contributions receivable, net | 54,426 | 72,272 |
| Total | \$ 1,763,075 | \$ 2,178,076 |
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose or time restrictions | (193,930) | (233,994) |
| Restricted by donors into perpetuity | (724,093) | (943,665) |
| Board designated reserve and endowment | (578,911) | (449,036) |
| Total financial assets available to management for general expenditure within one year | \$ 266,141 | \$ 551,381 |

As of June 30, 2022 and June 30, 2021, the Foundation had 5 months and 10 months respectively, of available cash to cover operations in the event of a crisis. In addition, as of June 30, 2022 and June 30, 2021, the Foundation held \$353,911 and \$223,911, 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.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3: CASH AND CASH EQUIVALENTS

The balance in cash and cash equivalents at June 30, 2022 and June 30, 2021 consisted of the following:

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 301,274 | \$ 535,167 |
| Cash and cash equivalents - Held in endowment investment accounts | <u>54,911</u> | <u>76,483</u> |
| Total cash and cash equivalents | <u>\$ 356,185</u> | <u>\$ 611,650</u> |

The Foundation maintains bank accounts at several reputable financial institutions. As of June 30, 2022 the Foundation's total bank balances totaled \$315,998, all of which was insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation. At June 30, 2021 the Foundation's total bank balances was \$584,991, of which \$363,886 was fully insured by the Federal Deposit Insurance Corporation.

NOTE 4: INVESTMENTS

Investment securities are reported in the financial statements at fair market value and consisted of the following at June 30, 2022 and June 30, 2021:

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|--------------------------------|----------------------|----------------------|
| Current Investments: | | |
| Exchange-traded funds | \$ 265,791 | \$ 254,420 |
| Bonds | <u>63,390</u> | <u>148,641</u> |
| Total current Investments | <u>\$ 329,181</u> | <u>\$ 403,061</u> |
| Non-current investments: | | |
| Endowments: | | |
| Exchange-traded funds | \$ 933,083 | \$ 756,270 |
| Bonds | <u>90,200</u> | <u>334,823</u> |
| Total endowments | <u>1,023,283</u> | <u>1,091,093</u> |
| Total Non- Current Investments | <u>\$ 1,023,283</u> | <u>\$ 1,091,093</u> |

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---------------------------|----------------------|----------------------|
| Interest and Dividends | \$ 32,243 | \$ 52,802 |
| Unrealized Gains (Losses) | (256,566) | 685,965 |
| Realized Gains (Losses) | - | 30 |
| Investment Fees | <u>(15,680)</u> | <u>(29,249)</u> |
| Net Investment Income | <u>\$ (240,003)</u> | <u>\$ 709,548</u> |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5: FAIR VALUE MEASUREMENTS

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 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, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

| | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs. |
| Level 3 | Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances. |

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.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

All of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds and fixed income securities with readily determinable fair values based on daily redemption values. The Foundation has no Level 3 investments.

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, 2022 and June 30, 2021.

| Assets at Fair Value as of June 30, 2022 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| Equity Securities | \$ 857,104 | \$ - | \$ - | \$ 857,104 |
| Fixed Income Securities(Corp/Gov) | 495,360 | - | - | 495,360 |
| Total assets at fair value | <u>\$ 1,352,464</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,352,464</u> |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5: FAIR VALUE MEASUREMENTS (CONTINUED)

| Assets at Fair Value as of June 30, 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-------------|-------------|---------------------|
| Mutual Funds | \$ 483,464 | \$ - | \$ - | \$ 483,464 |
| Exchange-Traded Funds | 1,010,690 | - | - | 1,010,690 |
| Total assets at fair value | <u>\$ 1,494,154</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,494,154</u> |

The Foundation did not hold any Level 3 assets for the year ended June 30, 2022 as the Charitable Remainder Trust expired and the Foundation no longer maintains any beneficial interest in assets held by others.

The following table sets forth a summary of changes in the fair value of Foundation's Level 3 assets on a recurring basis for the year ended June 30, 2021:

| | 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 |
| Related to instruments still held at the reporting date: | | |
| Maturity of CRT | (369,272) | - |
| Transfer out per settlement agreement | - | (158,122) |
| Balance, end of year | <u>\$ -</u> | <u>\$ -</u> |

NOTE 6: CONTRIBUTIONS RECEIVABLE

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

| | June 30, 2022 | June 30, 2021 |
|------------------------------------|------------------|------------------|
| In one year or less | \$ 52,683 | \$ 51,722 |
| Between one and four years | 2,300 | 21,700 |
| Less discount to net present value | <u>(557)</u> | <u>(1,150)</u> |
| Net contributions receivable | <u>\$ 54,426</u> | <u>\$ 72,272</u> |

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

| | June 30, 2022 | June 30, 2021 |
|---|------------------|------------------|
| Contributions receivable | \$ 52,126 | \$ 51,722 |
| Contributions receivable, net of discount | <u>2,300</u> | <u>20,550</u> |
| Net Contributions receivable | <u>\$ 54,426</u> | <u>\$ 72,272</u> |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6: CONTRIBUTIONS RECEIVABLE (CONTINUED)

Unconditional promises to give with expected payments extending beyond one year have been evaluated using a discount rate of 1.42%. The discount amount calculated was \$557 and \$1,150 as of June 30, 2022 and June 30, 2021, 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, 2022 and June 30, 2021.

NOTE 7: CONCENTRATION OF RISK

During the year ended June 30, 2022, approximately 24% of revenues was provided by 2 supporters. During the year ended June 30, 2021, approximately 75% of revenues was provided by two supporters.

As of June 30, 2022, approximately 91% of accounts receivable was provided by three supporters. As of June 30, 2021, approximately 74% of accounts receivable was provided by three supporters.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|--|----------------------|----------------------|
| Endowments: | | |
| Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation: | | |
| SLF Operations | \$ 9,471 | \$ 36,683 |
| Children Literacy | 714,622 | 906,978 |
| Finegold Scholarship | <u>-</u> | <u>4</u> |
| Endowments Total | <u>\$ 724,093</u> | <u>\$ 943,665</u> |
| Subject to expenditure for a specified purpose: | | |
| Programs: | | |
| Books in the Home | \$ 30,495 | \$ - |
| Colonial Heights | 85,025 | 85,025 |
| Literacy Grants | 11,692 | - |
| Literacy Map | 15,541 | 104,752 |
| Promise Zone | 22,183 | - |
| Summer Reading 2 | 50 | 38,918 |
| Walk4Literacy | <u>5,249</u> | <u>5,299</u> |
| Programs Total | <u>170,235</u> | <u>233,994</u> |
| Subject to the passage of time | <u>-</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 894,328</u> | <u>\$ 1,177,659</u> |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

| | June 30, 2022 | June 30, 2021 |
|---|----------------------|----------------------|
| Endowments: | | |
| Books and Materials | \$ - | \$ 184 |
| Sacramento Room | - | 1,015 |
| SLF Operations | - | 2,227 |
| Endowments Total | \$ - | \$ 3,426 |
| Subject to expenditure for a specified purpose: | | |
| Programs: | | |
| Books in the Home | \$ 115,654 | \$ - |
| Branches | - | 6,985 |
| Literacy Map | 31,269 | - |
| Promise Zone | 23,798 | - |
| Sacramento Room | - | 17 |
| Summer Reading | 76,368 | 49,263 |
| Wonder Wagon | - | 99 |
| Walk4Literacy | 50 | 21,242 |
| Other | - | 2,207 |
| Programs Total | 247,139 | 79,813 |
| Subject to the passage of time | - | 369,272 |
| Total net assets released from donor restrictions | \$ 247,139 | \$ 452,511 |

NOTE 9: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

| | June 30, 2022 | June 30, 2021 |
|---|----------------------|----------------------|
| Without donor restrictions: | | |
| Endowments: | | |
| SLF Operations | \$ 165,498 | \$ 35,498 |
| Children's Literacy | 188,413 | 188,413 |
| Endowments total | 353,911 | 223,911 |
| Designated by the Board for: | | |
| Reserves | 225,000 | 225,125 |
| Undesignated | 265,712 | 528,631 |
| Total net assets without donor restrictions | \$ 844,623 | \$ 977,667 |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10: 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 Ruthie Finegold Endowment was transferred to San Jose State University. See Note 14.

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 to 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, 2022 and June 30, 2021, 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, 2022 and 2021 none of the endowments held by the Foundation were underwater.

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. 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, 2022 AND 2021

NOTE 10: ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2022 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 |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 758,558 | 758,558 |
| Transfer into endowment | 130,000 | - | 130,000 |
| Accumulated investment gains (losses) | <u>-</u> | <u>(34,465)</u> | <u>(34,465)</u> |
| Total | <u>\$ 353,911</u> | <u>\$ 724,093</u> | <u>\$ 1,078,004</u> |
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Endowment Assets</u> |
| Endowment net assets, beginning of year | \$ 223,911 | \$ 943,665 | \$ 1,167,576 |
| Investment income | - | 25,150 | 25,150 |
| Net depreciation | - | (197,597) | (197,597) |
| Transfer per settlement agreement | - | (47,125) | (47,125) |
| Transfer into endowment | <u>130,000</u> | <u>-</u> | <u>130,000</u> |
| Endowment net assets, end of year | <u>\$ 353,911</u> | <u>\$ 724,093</u> | <u>\$ 1,078,004</u> |

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10: ENDOWMENTS (CONTINUED)

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

| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
|--|---------------------------------------|------------------------------------|---|
| Board designated endowment funds | \$ 223,911 | \$ - | \$ 223,911 |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 684,237 | 684,237 |
| Accumulated investment gains | - | 259,428 | 259,428 |
| Total | \$ 223,911 | \$ 943,665 | \$ 1,167,576 |
| | Without Donor Restrictions | With Donor Restrictions | Total Net Endowment Assets |
| 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 | (559,024) | (2,235,860) | (2,794,884) |
| Endowment net assets, end of year | \$ 223,911 | \$ 943,665 | \$ 1,167,576 |

NOTE 11: EMPLOYEE BENEFIT PLAN

The Foundation has a Saving 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, 2022 and June 30, 2021 totaled \$4,902 and \$4,220, respectively.

NOTE 12: OPERATING LEASES

The Foundation leased its facilities at 2411 Alhambra Boulevard under a non-cancelable operating lease which expired July 31, 2022. The Foundation signed a new lease agreement, located at 2901 K Street, commencing on July 1, 2022. Rental expense for the years ended June 30, 2022 and 2021 totaled \$17,848 and \$14,806, respectively.

SACRAMENTO LITERACY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13: UNCERTAINTIES

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, investments, fixed assets, and contracts 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, 2022. 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 14: 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.

On September 29, 2020, the above-referenced litigation was settled, subject to negotiation of a formal written settlement agreement. The terms of settlement placed into the court's record on January 20, 2021 and approved by the California Attorney General on March 2, 2021, include, among other things, 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 29, 2020, and the effective date of the final settlement were split 50/50 between the Foundation and the Authority. On March 2, 2021 \$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 effective date of the final settlement, and unrestricted bequests intended for the Library, where the donor's death occurs following the effective 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.