



Houston Public Library Foundation

FINANCIAL STATEMENTS

June 30, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Public Library Foundation
Houston, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Houston Public Library Foundation (a component unit of the City of Houston), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which comprise Houston Public Library Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Houston Public Library Foundation, as of June 30, 2024, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Houston Public Library Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, 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 Houston Public Library Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 Houston Public Library Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Houston Public Library Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included. The other information comprises the schedule of functional expenses for the year ended June 30, 2024 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
September 26, 2024

Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

This discussion and analysis of Houston Public Library Foundation's (the Foundation) financial statements provides an overview of the Foundation's financial performance during the years ended June 30, 2024 and 2023. This discussion and analysis includes comparative data for the years ended June 30, 2024 and June 30, 2023 with a brief explanation for significant changes between fiscal years. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read in conjunction with the Foundation's basic financial statements and the footnotes.

FINANCIAL HIGHLIGHTS

- The Foundation did not hire a new Executive Director during this fiscal year. The Foundation is currently conducting a search for a new director. The absence of an Executive Director affected the programmatic efforts of the Foundation.
- The Foundation's investment portfolio benefitted from improvements in economic and market performance, generating a positive portfolio return of 11% for the 12-month period ending June 30, 2024.
- The Foundation released \$1,027,664 from endowment funds for the fiscal year 2024 endowment allocation to HPL.
- The Foundation released \$172,934 from Greenberg Trust for HPL programs.
- As of June 30, 2024, the Foundation held \$17.1 million for library programs, including the original \$2.12 million corpus of the Foundation's endowments that is permanently restricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Foundation's basic financial statements. According to the definition by the Governmental Accounting Standards Board, the Foundation qualifies as a special purpose government with one program – support and advocacy for the Houston Public Library.

Government-wide financial statements reflect an economic resources measurement focus and are prepared using the accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of the Foundation's finances, in a manner similar to a private-sector business.

The Statement of Net Position shows the financial position of the Foundation at year end by presenting the Foundation's assets and liabilities, with the difference between assets and liabilities presented as net position. The Statement of Activities presents information showing changes in the Foundation's net position during the year. Changes in net position are reported when an underlying event giving rise to a change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Governmental fund financial statements reflect a current financial resources measurement focus and are prepared using the modified accrual basis of accounting. Unlike the government-wide financial statements, the governmental fund financial statements present information showing the near-term inflows and outflows of spendable resources and the balances of spendable resources at year end.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The following table reflects condensed information on the Foundation's net position:

<i>June 30,</i>	2024	2023	Increase (Decrease)
Assets			
Cash and investments	\$ 19,342,350	\$ 18,852,399	\$ 489,951
Other assets	1,146,720	1,243,721	(97,001)
Total assets	20,489,070	20,096,120	392,950
Total liabilities	385,229	510,786	(125,557)
Net position			
Restricted	16,822,583	16,173,806	648,777
Unrestricted	3,281,258	3,411,528	(130,270)
Total net position	\$ 20,103,841	\$ 19,585,334	\$ 518,507

The Foundation's investment portfolio reflects gains in the value of certain securities as well as dividend income. The overall annual positive return for the portfolio was 11%. The total value of the portfolio at June 30, 2024 was approximately \$18.7 million and represents about a 4.62% increase over the prior year.

The other assets balance at June 30, 2024, which comprises the Foundation's beneficial interest in the Greenberg Trust of \$1,146,720.

Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Statement of Activities

The Statement of Activities presents the operating results of the Foundation. The following table reflects condensed information on the Foundation's operations:

<i>For the years ended June 30,</i>	2024	2023	Increase (Decrease)
Expenses			
Programmatic	\$ 2,097,271	\$ 1,772,676	\$ 324,595
Other	177,979	203,215	(25,236)
Total expenses	2,275,250	1,975,891	299,359
Revenues			
Investment return	2,067,539	1,005,112	1,062,427
Contributions and other income	726,218	1,365,780	(639,562)
Total revenue	2,793,757	2,370,892	422,865
Changes in net position	518,507	395,001	123,506
Net position, beginning of year	19,585,334	19,190,333	395,001
Net position, end of year	\$ 20,103,841	\$ 19,585,334	\$ 518,507

Non-investment revenues related to contributions, special events, and book sales decreased from \$1,365,780 in fiscal year 2023 to \$726,218 in fiscal year 2024.

FINANCIAL ANALYSIS OF THE FOUNDATION'S FUNDS

At June 30, 2024, the Foundation's governmental funds reported combined ending fund balances of approximately \$19 million, which is an approximate \$0.6 million increase over the prior year. At June 30, 2024, the Foundation's governmental funds were comprised of financial assets raised specifically for Houston Public Library programs and funds raised in prior years that were released for program use.

In 2024, HPL received a total of \$1,027,664 in endowment allocations and \$172,934 from Greenberg Trust. The Foundation raised \$565,779 in program funds for the HPL during the fiscal year, of which all were released to HPL.

In 2024, the Foundation incurred \$30,352 in financial consulting fees related to the managing of the endowments funds, which were paid with restricted for library program funds.

Houston Public Library Foundation Management's Discussion and Analysis (Unaudited)

FUTURE PROJECTS

During FY25, HPL has provided the Foundation “new” programs to fund during the next fiscal year. The Board of Directors has increased its membership to 17 new members who will begin an increase of revenue and resources for the Foundation and the Houston Public Library. The Foundation will continue to support the current programs of HPL by funding new opportunities to benefit the Houston community and accomplishing the mission & vision of the Foundation. The Foundation’s Beyond the Page event will be held in April 2025.

NOTES TO FINANCIAL STATEMENTS

The reader is referred to the notes to the financial statements for a more complete understanding of the financial statements of the Foundation. They contain a summary of the significant accounting policies as well as other information.

* * * * *

The financial report is designed to discuss issues that may be material to the operation of the Foundation. Questions concerning any of the information in this report or requests for additional information should be addressed to Houston Public Library Foundation, 550 McKinney Street Houston, TX 77002.

Houston Public Library Foundation Statement of Net Position

	Primary Government Governmental Activities
<i>June 30, 2024</i>	
<hr/>	
Assets	
Cash	\$ 573,988
Investments	18,768,362
Beneficial interest in charitable trust	1,146,720
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Total assets	20,489,070
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Liabilities	
Accrued expenses and grant payable	2,578
Funds held for others	382,651
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Total liabilities	385,229
<hr/>	
Net position	
Restricted for	
Library programs and staff benefits	14,656,544
Endowment for library programs and staff benefits	2,166,039
Unrestricted	3,281,258
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Total net position	\$ 20,103,841
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The accompanying notes are an integral part of these financial statements.

Houston Public Library Foundation Statement of Activities

<i>For the year ended June 30, 2024</i>			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues	Primary Government Governmental Activities
Primary Government			
Governmental activities	\$ 2,275,250	\$ -	\$ (2,275,250)
Total governmental activities	2,275,250	-	(2,275,250)
General revenue and transfers			
Investment return			2,067,539
Contributions			706,057
Book sales			20,161
Total general revenues			2,793,757
Changes in net position			518,507
Net position, beginning of year			19,585,334
Net position, end of year			\$ 20,103,841

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

Houston Public Library Foundation Balance Sheet – Governmental Funds

<i>June 30, 2024</i>	General Fund	Permanent Fund	Total Governmental Funds
Assets			
Cash	\$ 573,988	\$ -	\$ 573,988
Investments	3,126	18,765,236	18,768,362
Total assets	\$ 577,114	\$ 18,765,236	\$ 19,342,350
Liabilities and fund balances			
Liabilities			
Accrued expenses and grant payable	\$ 2,578	\$ -	\$ 2,578
Funds held for others	382,651	-	382,651
Total liabilities	385,229	-	385,229
Fund balances			
Nonspendable			
Library programs	-	2,121,039	2,121,039
Library staff benefits	-	45,000	45,000
Restricted for			
Library programs	-	12,974,749	12,974,749
Library staff benefits	-	535,075	535,075
Committed for library programs	-	2,072,796	2,072,796
Assigned for long-term investment	-	1,016,577	1,016,577
Unassigned	191,885	-	191,885
Total fund balances	191,885	18,765,236	18,957,121
Total liabilities and fund balances	\$ 577,114	\$ 18,765,236	\$ 19,342,350

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

**Houston Public Library Foundation
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position**

June 30, 2024

Total fund balances of governmental funds	\$ 18,957,121
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Beneficial interests in charitable trust are not available for current period expenditures and therefore are not reported	1,146,720
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Net position of governmental activities	\$ 20,103,841
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The accompanying notes are an integral part of these financial statements.

Houston Public Library Foundation
Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds

<i>For the year ended June 30, 2024</i>	General Fund	Permanent Fund	Total Governmental Funds
Revenues			
Investment return	\$ 21	\$ 2,164,519	\$ 2,164,540
Contributions	140,278	565,779	706,057
Book sales	20,161	-	20,161
Transfers in/(out)	1,901,729	(1,901,729)	-
Total revenues	2,062,189	828,569	2,890,758
Expenditures			
Programmatic	2,097,271	-	2,097,271
Fundraising	47,340	-	47,340
Management and general	130,639	-	130,639
Total expenditures	2,275,250	-	2,275,250
Excess (deficiency) of revenues over expenditures	(213,061)	828,569	615,508
Fund balances, beginning of year	404,946	17,936,667	18,341,613
Fund balances, end of year	\$ 191,885	\$ 18,765,236	\$ 18,957,121

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

Houston Public Library Foundation
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds to the Statement of Activities

<i>For the year ended June 30,</i>	2024
Net change in fund balances - total governmental funds	\$ 615,508
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues reported in the Statement of Activities are not available as current financial resources as revenue in the government funds - beneficial interest in charitable trust	(97,001)
Change in net position of governmental activities	\$ 518,507

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

Houston Public Library Foundation Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Houston Public Library Foundation (the Foundation) is a §501(c)(3) organization which supports and advocates for the Houston Public Library (HPL). A board of community leaders, appointed by the Mayor of the City of Houston (the City), governs the Foundation and its activities. Classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi), the Foundation is a component unit of the City. The operations of the Friends of the Houston Public Library are conducted as a part of the Foundation's activities.

Through advocacy and fundraising, the Foundation supports HPL's wide range of initiatives with particular emphasis on its neighborhood libraries and their community programs. The Foundation provides funding for an annual spending plan and other identified library projects and programs including neighborhood library improvements. In 2024, programmatic grants to HPL were \$1,763,377. The Foundation offices are provided by HPL and the City.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements represent all the funds of the Houston Public Library Foundation. The Foundation is a component unit of the City of Houston. Component units are legally separate entities for which the primary government is financially accountable.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The statements of net position and the statements of activities display information about the reporting government as a whole. These statements are prepared on the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Foundation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statements of Net Position. The Statements of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flow.

Fund Financial Statements

Governmental funds in the fund financial statements are accounted for using a current financial resources measurement focus and have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measurable and available. Measurable means the amount of the transaction is known or reasonably estimable and available refers to amounts collected in the current period or expected to be collected soon enough thereafter (60 days) to be used to pay liabilities of the current period. Generally, expenditures are recorded when the related liability is incurred.

Houston Public Library Foundation Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation reports the following major governmental funds:

- The general fund is the Foundation's primary operating fund. It accounts for all financial resources of the Foundation, except those required to be accounted for in another fund.
- The permanent fund is used to account for funds invested for long-term purposes, whether perpetual in nature, and with or without donor restrictions.

Budgetary Comparisons

Under the Governmental Accounting Standards Board (GASB) Statement No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Foundation is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Foundation's financial statements.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

The Foundation reports investments in equity securities at fair value as determined by quoted market prices in the governmental fund balance sheet and statement of net position. Investment earnings are included in the changes in fund balance/net position in the accompanying governmental fund revenues, expenditures, and changes in fund balance and statement of activities.

Beneficial Interest in Charitable Trust

The Foundation is a beneficiary in a charitable trust, which is not controlled by the management of the Foundation. Under this arrangement, the Foundation has the irrevocable right to receive all of the income earned on the underlying assets. Accordingly, contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive the benefits. The Foundation's beneficial interest in the charitable trust and changes in the Foundation's interest are classified as restricted for library program fund balance as those assets are held by the trustee and are to be used for a specific purpose. Upon the resignation or death of the Successor Trustee, the assets of this trust shall pass to the Foundation to continue to use the funds for the same purpose as described in the trust.

Houston Public Library Foundation Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position or Fund Balance (Continued)

Funds Held for Others

The Foundation holds selected funds for HPL. The Foundation has limited discretion over the use of these funds. Funds held for others are included in the Foundation's cash and investments, and as a liability of the Foundation. Funding by the Foundation of HPL programs and staff benefits is made through deposits to this account. HPL controls disbursements from this fund. As of June 30, 2024, the Foundation holds \$382,651 of selected funds for HPL.

Categories and Classification of Net Position and Fund Balance

Net position represents the difference between total assets and total liabilities. In the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. All other net position is unrestricted.

Fund balances are classified based upon the relative strength of spending constraints placed upon the purposes for which resources can be used as follows:

- Nonspendable fund balance includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact. The Foundation's nonspendable fund balance represents the original corpus of their endowments and is being maintained in perpetuity.
- Restricted fund balance includes amounts constrained to specific purposes either by external resource providers through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts committed to specific purposes by the Foundation itself, using its highest level of decision-making authority. Commitments may be modified only through Board resolution.
- Assigned fund balance includes amounts that the Foundation intends to use for specific purposes, but do not meet the definition of restricted or committed fund balance. Assignment may be modified only through Board resolution.
- Unassigned fund balance includes amounts that are available for any purpose.

When both restricted and unrestricted fund balances are available for use, it is the Foundation's policy to use restricted fund balances first, then unrestricted fund balances. Furthermore, committed fund balances are reduced first, followed by assigned fund balances, and then unassigned fund balances when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications can be used.

Houston Public Library Foundation Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Under both the modified accrual and the accrual basis of accounting, receivables and revenue from contributions are recognized net of estimated uncollectible amounts when all applicable eligibility requirements are met provided the commitment is verifiable and the resources are measurable and probable of collection. Revenue recognized as receivable in advance of the time period during which it may be used is deferred under the modified accrual method of accounting but is recognized as revenue under the accrual basis of accounting and reflected as restricted net position.

Book sales occur at the library branches, at pop-up book sales around the City and on-line via the web through online retailers. Donated books are sold and revenue is recognized at the time of the sale.

Transfers between funds represent the transfers of resources for library program expenses.

Income Tax

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements.

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of June 30, 2024, management believes there were no uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 26, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Houston Public Library Foundation Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it.

As of June 30, 2024, the carrying amount of the Foundation's deposits was \$573,988 and the bank balances totaled \$571,735. Deposits totaling \$321,735 were in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Foundation entered into a depository pledge agreement with Cadence Bank, in which deposits exceeding the FDIC limits are secured by pledged collateral.

Investments and Fair Value Measurements

The Foundation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value three tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity.

Fixed income and equity securities are valued based on prices quoted in active market for those securities.

US Treasury bills derive their value based on the length of the remaining term of the security, the coupon rate, and the current interest rate. As these securities are not publicly traded, they are not Level 1 assets. However, because the inputs to measure fair value are observable (interest rate, coupon rate, and term length), these assets qualify as Level 2 assets.

The Foundation's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific investment or maturity.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities. The Foundation, in accordance with its investment policy, maintains a balanced investment portfolio and distributions are approved by the Board of Directors on an annual basis.

Houston Public Library Foundation Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Investments and Fair Value Measurements (Continued)

Certain investments are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$250,000 of cash from sale or purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, Treasury securities, certificates of deposit, mutual funds, money market funds and certain other investment securities.

The Foundation's beneficial interest in charitable trust is valued at the fair value of the underlying investments, as provided by the trustee, which are considered to be Level 3 investments. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

June 30, 2024	Quoted Market Prices		
	in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments			
Mutual Funds			
Fixed income	\$ 7,078,155	\$ -	\$ -
Equity securities	9,873,050	-	-
US treasury bills	-	-	-
Equity securities	490,045	-	-
Money market	1,327,112	-	-
Beneficial Interest in charitable trust	-	-	1,146,720
Total assets at fair value	\$ 18,768,362	\$ -	\$ 1,146,720

Investment income consists of the following:

For the year ended June 30,	2024
Interest and dividend income	\$ 99,673
Net realized/unrealized gains on investments	1,967,866
Total investment return	\$ 2,067,539

Houston Public Library Foundation Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Investments and Fair Value Measurements (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2024, there were no significant transfers in or out of Levels 1, 2 or 3.

SUPPLEMENTARY INFORMATION

Houston Public Library Foundation Schedule of Functional Expenses (Unaudited)

For the year ended June 30,

2024

	Program	Management and General	Fundraising	Total
Grants and other assistance to domestic organizations and domestic governments	\$ 1,852,364	\$ -	\$ -	\$ 1,852,364
Salaries and wages	47,490	61,332	24,277	133,099
Employee benefits	11,704	15,116	5,983	32,803
Payroll taxes	21,296	15,646	6,958	43,900
Fees for services (non-employees):				
Accounting	-	24,500	-	24,500
Payroll	-	6,634	-	6,634
Other	65,518	-	-	65,518
Advertising	300	-	-	300
Office expenses	12,114	811	10,122	23,047
Information technology	15,583	-	-	15,583
Occupancy	19,548	-	-	19,548
Conference, conventions, and board meetings	-	6,600	-	6,600
Insurance	1,015	-	-	1,015
Event expenses	46,763	-	-	46,763
Repairs and maintenance	3,576	-	-	3,576
Total expenses	\$ 2,097,271	\$ 130,639	\$ 47,340	\$ 2,275,250