

**LAFAYETTE LIBRARY AND LEARNING
CENTER FOUNDATION**
(A Nonprofit Corporation)

FINANCIAL REPORT

June 30, 2022
(With Comparative Totals for 2021)

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B O W M A N

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Lafayette Library and Learning Center Foundation
(A Nonprofit Corporation)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Lafayette Library and Learning Center Foundation** (A Nonprofit Corporation) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lafayette Library and Learning Center Foundation as of June 30, 2022, and changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lafayette Library and Learning Center 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 Auditors' 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government 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 the Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Lafayette Library and Learning Center Foundation June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bowman & Company, CP

Stockton, California
January 21, 2023

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2022 and 2021

| ASSETS | <u>2022</u> | <u>2021</u> |
|------------------------------------------|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 444,234 | \$ 448,109 |
| Accounts receivable | 14,548 | 11,078 |
| Pledge receivable | 97,000 | -- |
| Prepaid expenses | 2,536 | 2,747 |
| Investments | 24,347,321 | 28,418,977 |
| Total current assets | <u>24,905,639</u> | <u>28,880,911</u> |
| Property and equipment, net | <u>575</u> | <u>1,830</u> |
| Total assets | <u>\$ 24,906,214</u> | <u>\$ 28,882,741</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 731,147 | \$ 686,651 |
| Accrued salaries and payroll taxes | 43,224 | 40,575 |
| Total current liabilities | <u>774,371</u> | <u>727,226</u> |
| NET ASSETS | | |
| With donor restrictions | <u>24,131,843</u> | <u>28,155,515</u> |
| Total net assets | <u>24,131,843</u> | <u>28,155,515</u> |
| Total liabilities and net assets | <u>\$ 24,906,214</u> | <u>\$ 28,882,741</u> |

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

| | Year Ended June 30, 2022 | | | |
|-------------------------------------------|----------------------------------|----------------------------|---------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | 2021 Total |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | \$ 353,409 | \$ 1,233 | \$ 354,642 | \$ 439,942 |
| Programs | 5,203 | -- | 5,203 | 1,275 |
| Special events | -- | -- | -- | 1,506 |
| Investment income (loss), net | (98,736) | (3,303,737) | (3,402,473) | 6,333,636 |
| Covid relief grants | 47,485 | -- | 47,485 | -- |
| Rentals and other income | 93,861 | -- | 93,861 | 10,986 |
| Net assets released from restrictions | 721,168 | (721,168) | -- | -- |
| | 1,122,390 | (4,023,672) | (2,901,282) | 6,787,345 |
| EXPENSES | | | | |
| Program services | | | | |
| Library hours | 82,497 | -- | 82,497 | 42,672 |
| Library programs | 798,209 | -- | 798,209 | 1,185,449 |
| Total program services | 880,706 | -- | 880,706 | 1,228,121 |
| Support services | | | | |
| Management and general | 118,051 | -- | 118,051 | 132,856 |
| Fundraising | 123,633 | -- | 123,633 | 120,873 |
| Total support services | 241,684 | -- | 241,684 | 253,729 |
| Total expenses | 1,122,390 | -- | 1,122,390 | 1,481,850 |
| CHANGES IN NET ASSETS | -- | (4,023,672) | (4,023,672) | 5,305,495 |
| NET ASSETS, beginning | -- | 28,155,515 | 28,155,515 | 22,850,020 |
| NET ASSETS, ending | \$ -- | \$ 24,131,843 | \$ 24,131,843 | \$ 28,155,515 |

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

Year Ended June 30, 2022

| | Program Services | | | Supporting Services | | | Total Expenses | 2021 Total Expenses |
|------------------------------------|------------------|-------------------|------------------------|------------------------|-------------------|------------------------|---------------------|---------------------|
| | Library Hours | Library Programs | Total Program Services | Management and General | Fundraising | Total Support Services | | |
| Support for hours and operations | \$ 82,497 | \$ 522,731 | \$ 605,228 | \$ -- | \$ -- | \$ -- | \$ 605,228 | \$ 673,937 |
| Salaries and benefits | -- | 152,539 | 152,539 | 66,567 | 116,492 | 183,059 | 335,598 | 426,630 |
| Outreach community events | -- | 122,939 | 122,939 | -- | 597 | 597 | 123,536 | 306,952 |
| Bank fees | -- | -- | -- | 2,270 | -- | 2,270 | 2,270 | 1,467 |
| Legal and professional fees | -- | -- | -- | 21,045 | -- | 21,045 | 21,045 | 37,461 |
| Office expenses | -- | -- | -- | 11,915 | 1,488 | 13,403 | 13,403 | 13,484 |
| Telephone and internet | -- | -- | -- | 8,481 | -- | 8,481 | 8,481 | 8,470 |
| Depreciation | -- | -- | -- | 1,255 | -- | 1,255 | 1,255 | 4,784 |
| Advertising and marketing | -- | -- | -- | -- | 5,056 | 5,056 | 5,056 | 4,117 |
| Insurance | -- | -- | -- | 2,759 | -- | 2,759 | 2,759 | 2,759 |
| Miscellaneous | -- | -- | -- | 3,759 | -- | 3,759 | 3,759 | 1,789 |
| TOTAL UNRESTRICTED EXPENSES | \$ 82,497 | \$ 798,209 | \$ 880,706 | \$ 118,051 | \$ 123,633 | \$ 241,684 | \$ 1,122,390 | \$ 1,481,850 |

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|------------------------------------------------------------------------------------------------------|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (4,023,672) | \$ 5,305,495 |
| Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities: | | |
| Depreciation | 1,255 | 4,784 |
| Donated securities | (11,490) | (5,053) |
| Net realized and unrealized (gain) loss on investments | 3,937,519 | (5,901,701) |
| (Increase) decrease in: | | |
| Accounts receivable | (3,470) | (11,078) |
| Pledge receivable | (97,000) | -- |
| Prepaid expenses | 211 | 2,502 |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | 44,496 | 55,863 |
| Accrued salaries and payroll taxes | 2,649 | (4,475) |
| Net cash used in operating activities | (149,502) | (553,663) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (8,704,698) | (10,008,846) |
| Proceeds from sale of investments | 8,850,325 | 10,351,041 |
| Net cash provided by investing activities | 145,627 | 342,195 |
| Decrease in cash and cash equivalents | (3,875) | (211,468) |
| Cash and cash equivalents, beginning of year | 448,109 | 659,577 |
| Cash and cash equivalents, end of year | \$ 444,234 | \$ 448,109 |

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Organization:

Lafayette Library and Learning Center Foundation (“LLLCF”) is a California nonprofit corporation and was organized from the principal purpose of establishing and supporting the construction, operations, programs, funding and other business of the Lafayette Library and Learning Center (“LLLC”).

Basis of Accounting:

The financial statements of LLLCF have been prepared on the accrual basis of accounting.

Basis of Presentation:

LLLCF is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met by actions of LLLCF and/or the passage of time.

Cash and Cash Equivalents:

For the purpose of the statement of cash flows, LLLCF considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Periodically, such investments may be in excess of federally insured limits.

Contributions:

Contributions are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions with donor restrictions are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

Contributions (Cont.):

Contributions including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, which is when conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the contributions are expected to be collected. Receivables are reviewed by management for collectability and an allowance for doubtful accounts is established when needed. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts is recorded at June 30, 2022.

Investments:

Investments are stated at fair value or net asset value. Investments received through gifts are recorded at fair value at the date of donation. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are determined using the specific identification method.

Fair Value Measurements:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. LLLCF determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that LLLCF has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are developed based on the best information available in the circumstances and may include LLLCF's own data.

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

Property and Equipment:

Property and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from 3 to 5 years. It is the policy of LLLCF to capitalize any addition in excess of \$500 with an estimated useful life greater than one year. Maintenance and repairs are charged as incurred.

Estimated useful lives of the assets are as follow:

| | <u>Years</u> |
|------------------------|--------------|
| Computer equipment | 3-5 |
| Furniture and fixtures | 3-5 |

LLLCF reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying value amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. At June 30, 2022, there were no impairment losses recognized.

Fair Value of Financial Instruments:

The carrying amount of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their value due to the short-term maturities of these instruments.

Donated Assets:

Donated assets are recorded as contributions based on the fair value at the date the contribution is made. Donated services are recorded as contributions at their estimated fair value only in those instances in which they enhance non-financial assets or LLLCF would have acquired such services if they had not been donated, require special skills and are provided by individuals with those skills. In-kind contributions for the year ended June 30, 2022 totaled \$588.

Allocation of Expenses:

Expenses are allocated by management among programs and supporting services based on estimates of time and space consumed, and other factors. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the LLLCF.

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Cont.)

Income Tax Status:

LLLCF has been granted tax-exempt status by the Internal Revenue Service under IRC Section 501(c)(3) and the California Franchise Tax Board under Section 23701(d).

LLLCF has evaluated its current tax positions and concluded that as of June 30, 2022, LLLCF does not have any uncertain tax positions for which an allowance would be necessary.

Advertising and Marketing:

Advertising and marketing costs, including direct mailing and other marketing materials, are expensed when incurred. Advertising and marketing expense amounted to \$5,056 for the year ended June 30, 2022.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with LLLCF's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events:

Management has evaluated subsequent events through January 21, 2023, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 2. Availability and Liquidity

As part of LLLCF's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, LLLCF has cash and cash equivalents available. Contributions receivable that are considered current will be collected from donors within one year. Monthly, the Executive Committee of the LLLCF board reviews its financial position and discusses a reasonable cash position to maintain. The Finance Committee has set 45 days in cash as the minimum for 2022.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

| | |
|--------------------------------------------------------------------|---------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 444,234 |
| Investments | 24,347,321 |
| Accounts receivable | 14,548 |
| Pledge receivable | <u>97,000</u> |
| Total financial assets | <u>24,903,103</u> |
| Less: amounts unavailable for general expenditures within one year | |
| Net asset with donor restrictions | <u>(24,131,843)</u> |
| | <u>(24,131,843)</u> |
| | <u>\$ 771,260</u> |

LLLCF has financial assets available at June 30, 2022 to cover approximately 140 days of operating expenses based on the fiscal year 2022-2023 budget.

Note 3. Investments

Investments consisted of the following at June 30, 2022:

| | <u>Cost</u> | <u>Fair Value</u> |
|-----------------|----------------------|----------------------|
| Custody account | \$ <u>23,866,649</u> | \$ <u>24,347,321</u> |
| | <u>\$ 23,866,649</u> | <u>\$ 24,347,321</u> |

Investment income (loss), net consisted of the following:

| | |
|----------------------------------|-----------------------|
| Interest and dividends | \$ 633,782 |
| Realized gains on investments | 1,430,899 |
| Unrealized losses on investments | (5,368,418) |
| Investment fees | <u>(98,736)</u> |
| | <u>\$ (3,402,473)</u> |

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Disclosures

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

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------------|---------------|---------|---------|---------------|
| Cash and cash equivalents | \$ 242,124 | \$ -- | \$ -- | \$ 242,124 |
| Equity funds | 9,726,757 | -- | -- | 9,726,757 |
| Fixed income funds | 5,186,724 | -- | -- | 5,186,724 |
| | \$ 15,155,605 | \$ -- | \$ -- | 15,155,605 |
| Investments measured at net asset value* | | | | 9,191,716 |
| | | | | \$ 24,347,321 |

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share ("NAV") (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Investments in emerging markets, international region common stocks, government fixed income funds, corporate bonds, and real estate funds are measured at fair value using the NAV.

Note 5. Property and Equipment

Property and equipment consist of the following:

| | |
|--------------------------|----------|
| Computer equipment | \$ 5,843 |
| Furniture and fixtures | 26,895 |
| | 32,738 |
| Accumulated depreciation | (32,163) |
| | \$ 575 |

Depreciation expense amounted to \$1,255 for the year ended June 30, 2022.

LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets

Net assets with donor restrictions were as follows for the year ended June 30, 2022:

| | |
|--------------------------|----------------------|
| Sustainability fund | \$ 23,674,318 |
| Children's library | |
| Children's Refurbishment | 63,545 |
| Children's Deck | 355,653 |
| Steam ahead grant | 31,494 |
| All others | 6,833 |
| | <u>\$ 24,131,843</u> |

Net assets released from net assets with donor restrictions were as follows for the year ended June 30, 2022:

| | |
|---------------------|-------------------|
| Sustainability fund | \$ 607,723 |
| Children's deck | 113,445 |
| | <u>\$ 721,168</u> |

Note 7. Lease Commitment

LLLCF leases its office space in the LLLC from the City of Lafayette under a non-cancelable operating lease that effective November 2019 it became a month-to-month lease. LLLCF is responsible for its proportionate share of building, common area maintenance and operating expenses which includes insurance and utilities. LLLCF leases office equipment under a non-cancelable operating lease which expires in April 2023, with monthly lease payments of \$284.

The scheduled minimum lease payments under the lease terms are as follows:

| | |
|-----------------------------|-----------------|
| <u>Year ending June 30,</u> | |
| 2023 | \$ <u>2,840</u> |
| | <u>\$ 2,840</u> |

Total lease expense amounted to \$8,971 for the year ended June 30, 2022.

**LAFAYETTE LIBRARY AND LEARNING CENTER FOUNDATION
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

Note 8. Related Party Transactions

LLLCF received approximately \$146,000 in contributions from board members during the year ended June 30, 2022. At June 30, 2022, related party pledge receivable was \$97,000. Also, as agreed under the LLLCF funding agreement, LLLCF recorded approximately \$605,000 as its contribution expense to the City of Lafayette for library operations and approximately \$6,000 for annual lease payments charged by the City of Lafayette to LLLCF for its office rental for the year ended June 30, 2022. During the year ended June 30, 2022, LLLCF recorded \$113,000 as its contribution expense to the City of Lafayette for library programs.