

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
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YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Friends of the Saint Paul Public Library
Saint Paul, Minnesota

We have audited the accompanying financial statement of The Friends of the Saint Paul Public Library, which comprises the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
The Friends of the Saint Paul Public Library

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Friends of the Saint Paul Public Library as of December 31, 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 2, 2019

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	651,314
Contributions Receivable		104,162
Accounts Receivable - Consulting Service Fees		166,144
Prepaid Expenses and Other Assets		67,440
Total Current Assets		989,060

PROPERTY AND EQUIPMENT, NET

197,325

INVESTMENTS

10,696,240

OTHER ASSETS

Contributions Receivable, Net of Current Portion		2,105
Beneficial Interest in Perpetual Trust		158,940
Beneficial Interests in Assets Held by Others		2,403,096
Total Other Assets		2,564,141

Total Assets

\$ 14,446,766

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	93,453
Accrued Expenses and Other		281,862
Current Portion of Notes Payable		24,146
Total Current Liabilities		399,461

LONG-TERM LIABILITIES

Notes Payable, Net of Current Portion		105,125
Total Liabilities		504,586

NET ASSETS

Without Donor Restrictions:

Board Designated		635,467
Undesignated		965,441
Total Without Donor Restrictions		1,600,908

With Donor Restrictions

12,341,272

13,942,180

Total Liabilities and Net Assets

\$ 14,446,766

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Institutional Contributions	\$ 612,732	\$ 537,824	\$ 1,150,556
Individual Contributions	386,212	14,388	400,600
Consulting Service Fees	540,349	-	540,349
Investment Income, Net	29,668	(390,049)	(360,381)
Change in Value of Perpetual Trust	-	(16,083)	(16,083)
Change in Value of Assets Held by Others	-	(223,740)	(223,740)
Special Event, Net of Direct Expenses of \$66,825	348,619	-	348,619
Other Revenue	87,626	-	87,626
Net Assets Released from Restriction	1,238,727	(1,238,727)	-
Total Revenue	3,243,933	(1,316,387)	1,927,546
EXPENSES			
Programs:			
Support Grants to the Saint Paul Public Library	591,352	-	591,352
Program Expenses	1,368,495	-	1,368,495
Total Program Expenses	1,959,847	-	1,959,847
Support Services:			
Management and General	231,088	-	231,088
Fund Development	563,929	-	563,929
Total Supporting Services Expenses	795,017	-	795,017
Total Expenses	2,754,864	-	2,754,864
CHANGE IN NET ASSETS	489,069	(1,316,387)	(827,318)
Net Assets - Beginning of Year	1,111,839	13,657,659	14,769,498
NET ASSETS - END OF YEAR	\$ 1,600,908	\$ 12,341,272	\$ 13,942,180

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Programs	Support Services		Total Expenses
		Management and General	Fund Development	
Compensation and Benefits:				
Salaries	\$ 570,640	\$ 120,676	\$ 244,159	\$ 935,475
Payroll Taxes and Benefits	150,063	31,735	64,207	246,005
Total Compensation and Benefits	<u>720,703</u>	<u>152,411</u>	<u>308,366</u>	<u>1,181,480</u>
Support Grants to the Saint Paul Public Library	591,352	-	-	591,352
Contract Labor	210,388	-	4,729	215,117
Special Event Costs	-	-	214,221	214,221
Event Logistics	89,026	-	2,573	91,599
Technology	52,862	11,179	22,618	86,659
Travel	76,478	230	9,114	85,822
Depreciation	43,057	9,106	18,423	70,586
Rent	39,529	8,359	16,913	64,801
Public Relations	63,297	1,663	3,148	68,108
Professional Services	16,219	26,338	6,940	49,497
Supplies and Equipment	13,131	1,918	5,775	20,824
Professional Development	7,740	1,165	6,975	15,880
Administrative/Miscellaneous	36,065	18,719	10,959	65,743
Total Expenses	<u>1,959,847</u>	<u>231,088</u>	<u>630,754</u>	<u>2,821,689</u>
Event Costs of Direct Benefit to Donors	-	-	(66,825)	(66,825)
Total Expenses per Statement of Activities	<u>\$ 1,959,847</u>	<u>\$ 231,088</u>	<u>\$ 563,929</u>	<u>\$ 2,754,864</u>
Percentages	71%	8%	21%	100%

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (827,318)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	70,586
Noncash Contributions	(203,106)
Contributions Restricted for Endowment	(374,907)
Change in Value of Beneficial Interests in Assets Held by Others	126,664
Change in Value of Perpetual Trust	16,083
Net Realized and Unrealized Loss (Gain) on Investments	786,054
Net Change in Assets and Liabilities:	
Contributions Receivable	187,777
Accounts Receivable - Consulting Service Fees	(69,032)
Prepaid Expenses and Other Assets	(25,088)
Accounts Payable	77,066
Accrued Expenses and Other	28,290
Total Adjustments	<u>620,387</u>
Net Cash Used by Operating Activities	<u>(206,931)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	2,745,759
Purchase of Investments	<u>(1,983,830)</u>
Net Cash Provided by Investing Activities	761,929

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Endowment	374,907
Distributions from Beneficial Interests in Assets Held by Others	97,076
Principal Payments on Notes Payable	<u>(1,059,977)</u>
Net Cash Used by Financing Activities	<u>(587,994)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(32,996)

Cash and Cash Equivalents - Beginning of Year

684,310

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 651,314

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for Interest	<u>\$ 16,268</u>
Contributions of Securities	<u><u>\$ 203,106</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 ORGANIZATION

Since 1945, The Friends of the Saint Paul Public Library has contributed to the success of the library through its advocacy, fundraising, community programming and enthusiastic support. The Friends of the Saint Paul Public Library (the Organization) is a publicly supported nonprofit corporation whose mission is to develop stronger libraries for stronger communities. As an influential voice for libraries, the Organization ensures the Saint Paul Public Library and libraries in Minnesota, nationally, and internationally, are vital centers of engaged, educated and diverse communities.

The Organization receives funding from solicitations of individuals, corporations, and foundations, as well as from consulting fees generated by its Library Strategies Consulting Group which provides consulting and support services for library related organizations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets, support, revenue, expenses, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Board-Designated Net Assets

Board-designated net assets represent funds set aside by actions of the board of directors as reserves or for other designated purposes. These funds are approved by the board of directors as funds are needed for spending.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers short-term investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents excludes cash held for investment purposes.

Contributions Receivable

Unconditional promises to give to the Organization that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows using a discount rate which approximates the interest rate on the five-year U.S. Treasury Note. In years subsequent to the initial present value calculations, amortization of the discounts is recorded as contribution revenue. Conditional promises to give are not recognized as revenue until the conditions are substantially met.

No allowance for doubtful accounts is provided as management considers all receivables collectible. Contributions receivable balances consist of \$104,162 in current amounts and the remaining \$2,105 is scheduled to be received in one to two years in 2020 and 2021.

Accounts Receivable – Consulting Service Fees

Accounts receivable due from consulting services are stated at the amount management expects to collect. There is no allowance for doubtful accounts recorded as management believes all accounts are collectible.

Property and Equipment

Property and equipment are reported at cost if purchased, or at estimated fair value at date of acquisition if acquired by donation. Equipment acquired at a cost or value of less than \$500 is expensed when acquired. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. Amortization of leasehold improvements is computed over the term of the lease. When assets are retired or otherwise disposed of, the recorded value and related accumulated depreciation are removed and the resulting gain or loss, if any, is reflected in the statement of activities as other revenue.

Investments

Investments in marketable securities are carried at fair value as established by the major securities markets. At times the portfolio contains cash and cash equivalents. Realized and unrealized gains and losses are recorded in the period in which they occur in the appropriate net asset classification and are reflected in the statement of activities.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Perpetual Trust

A perpetual trust has been established with a third party and funded by a donor, for which the Organization has the irrevocable right to receive the income earned on the trust assets, but has no right to receive the principal assets held in trust. Under terms of the agreements which established the funds, the Saint Paul and Minnesota Foundations (SPMF) holds, administers and invests the assets which have been transferred to it, and distributes net income and principal of the trusts in accordance with SPMF distribution policy. The beneficial interest is assumed to equal the fair value of the assets held in trust and is reported by the Organization as a restricted asset held in perpetuity. Annual adjustments to the fair value of the trust are recognized as a change in value of perpetual trust in net assets with donor restrictions.

Beneficial Interests in Assets Held by Others

The Organization has established eight separate charitable funds with SPMF under terms of separate fund agreements. Seven of the funds were established as endowment funds by the transfer of restricted contributions held in perpetuity, and one was established by the board-designated transfer of operating funds. The plan governing the administration of the funds indicates SPMF has the power to modify the beneficiary, the purpose, and the timing of the distributions if the distributions become unnecessary, the Organization becomes incapable of fulfilling the purpose of the distributions, or the distributions become inconsistent with SPMF investment policies or the charitable needs served by SPMF. However, the funds were established in a reciprocal arrangement in which the board and management expect the Organization to continue to be the beneficiary of the funds in the future. Accordingly the estimated fair values of the funds have been recognized by the Organization as Beneficial Interests in Assets Held by Others. The value of the fund is included in net assets with donor restrictions. Annual adjustments to the fair value of the funds is recorded as a change in value of assets held by others in net assets with donor restrictions.

Fair Value Measurements

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

Fiscal Sponsor

The Organization serves, at times, as a fiscal sponsor for other organizations. Cash receipts and disbursements related to fiscal sponsor relationships are recorded as increases or decreases in the cash account and the related liability account. The fiscal sponsor liabilities were \$238,480 and are included with accrued expenses and other on the statement of financial position.

Contribution Revenue

Contributions, including unconditional promises to give, are recognized as either revenue with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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.

The Organization received 23% of contribution revenue from one donor for the year ended December 31, 2018.

Recognition of Consulting Service Revenue

Consulting service fees are recognized as revenue in the period in which the related services are performed.

In-Kind Contributions

In-kind contributions are recorded as contributions at their estimated fair values. Contributed services are recorded only if the services create or enhance nonfinancial assets or require specialized skill, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Organization places its cash deposits with high-quality financial institutions and seeks to limit the amount of credit exposure to any one financial institution. At various times during the year, the Organization's cash balances may exceed federally insured limits.

Allocation of Functional Expenses

Costs of programs and supporting service activities have been presented in the Statement of Functional Expenses. Salaries and related costs are allocated among the program and supporting service categories based upon the estimated time expended by the employees in those categories. Other costs are allocated according to management's estimates or on a direct basis.

Use of 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, described under Section 509(a)(2). Charitable contributions made by donors to the Organization are tax deductible.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 2, 2019, the date the financial statements were available to be issued.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 LIQUIDITY

The Organization strives to balance liquidity needs for the operating budget, mission based opportunities, and supporting the Saint Paul Public Library. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$200,000 which it could draw upon. Additionally, the Organization has board-designated funds of \$635,467. Although the Organization does not intend to spend from its board-designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from board-designated funds could be made available, if necessary. The Organization has a goal to maintain two to three months normal operating expenses, which are, on average, approximately \$404,000 to \$644,000.

The Organization's financial assets due within one year of the balance sheet for general expenditures are as follows:

Financial Assets At Year-End:	
Cash and Cash Equivalents	\$ 651,314
Contributions Receivable Within One Year	104,162
Accounts Receivable	<u>166,144</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	921,620
Less those unavailable for general expenditures within one year, due to donor-imposed or contractual restrictions:	
	<u>(253,177)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 668,443</u></u>

In addition to these funds, the Organization holds endowment funds that consist of donor endowment and board-designated funds. Income from donor endowments are restricted for specific purposes and, therefore, are not available for general expenditure. The Organization's Gift Acceptance Policy specifies a maximum endowment spending rate of 6%. For the next 12 months, the board has approved an endowment spending rate of 4.75% which is budgeted to draw \$402,687 for general operating funds.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

Leasehold Improvements	\$ 282,941
Office Equipment	65,745
Total Property and Equipment	<u>348,686</u>
Less: Accumulated Depreciation	<u>(151,361)</u>
Property and Equipment, Net	<u><u>\$ 197,325</u></u>

Total depreciation expense was \$70,586 for the year ended December 31, 2018.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 INVESTMENTS

Investments consisted of the following at December 31, 2018:

Cash Equivalents	\$ 957,866
U.S. Equities	1,806,510
International Equities	895,573
Balanced Mutual Funds	4,659,354
Real Estate Investment Trusts	552,745
U.S. and Corporate Debt Securities	1,824,192
Total Investments	<u>\$ 10,696,240</u>

Net investment income consisted of the following for the year ended December 31, 2018:

Net Realized and Unrealized Losses	\$ (786,054)
Interest and Dividends, Net of Investment Expense	425,673
Total Investment Income, Net	<u>\$ (360,381)</u>

Net investment return is net of investment expense of \$42,785 for the year ended December 31, 2018.

NOTE 6 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Equities	\$ 1,806,510	\$ -	\$ -	\$ 1,806,510
International Equities	895,573	-	-	895,573
Balanced Mutual Funds	4,659,354	-	-	4,659,354
Real Estate Investment Trusts	552,745	-	-	552,745
U.S. and Corporate Debt Securities	-	1,824,192	-	1,824,192
Total	<u>7,914,182</u>	<u>1,824,192</u>	-	<u>9,738,374</u>
Cash Equivalents				957,866
Total Investments				<u>10,696,240</u>
Perpetual Trust	-	-	158,940	158,940
Investments Held by Others	-	-	2,403,096	2,403,096
Total	<u>\$ 7,914,182</u>	<u>\$ 1,824,192</u>	<u>\$ 2,562,036</u>	<u>\$ 13,258,276</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following tables provide a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended December 31, 2018:

	Beneficial Interest in Funds Held by Others	Perpetual Trust
Balances at January 1	\$ 2,626,836	\$ 175,023
Investment Income, Net	16,528	-
Unrealized and Realized Gain (Loss)	(143,192)	-
Change in Value	-	(16,083)
Contributions	-	-
Distributions	(97,076)	-
Balances as of December 31	<u>\$ 2,403,096</u>	<u>\$ 158,940</u>

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at December 31, 2018:

<u>Description</u>	<u>Amount</u>
Note Payable to Bank: Note payable in the original amount of \$154,225 issued to finance the cost of leasehold improvements. Payments are due in monthly installments of \$2,448, including interest at 4.50%. Final payment is due October 2023. The note is secured by the assets of the Organization.	\$ 129,271
Total Notes Payable	129,271
Less: Current Portion	(24,146)
Net Long-Term Notes Payable	<u>\$ 105,125</u>

Estimated aggregate maturities of long-term debt as of December 31 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 24,146
2020	25,255
2021	26,416
2022	27,629
2023	25,825
Total	<u>\$ 129,271</u>

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 BOARD-DESIGNATED NET ASSETS

The board of trustees has designated the following net assets without donor restrictions:

Endowment to Support Library Current Need (Ortha Robbins)	\$ 627,689
Investment and Philanthropy Library Materials	7,778
Total	<u>\$ 635,467</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018:

Subject to Expenditure for Specified Purpose:	
Homework Help Centers	\$ 57,796
Minnesota Book Awards	25,000
International Languages	16,837
Library Program	153,544
Total	<u>253,177</u>

Endowments:

Subject to Appropriation and Expenditure When a Specified Event Occurs:	
Restricted by Donors for:	
General Operations	2,973,958
Information Commons Materials & Support	842,364
Children's Materials	588,726
Summer Reading Program	342,500
Writers	330,106
Library Materials	238,317
Minnesota Book Awards	28,014
Total	<u>5,343,985</u>

Subject to Endowment Spending Policy and
Appropriation:

General Operations	3,385,122
Information Commons Materials & Support	389,360
Children's Materials	253,055
Summer Reading Program	80,737
Library Materials	72,305
Minnesota Book Awards	9,816
Underwater Endowments	(8,321)
Total	<u>4,182,074</u>
Total Endowments	<u>9,526,059</u>

Not Subject to Spending Policy or Appropriation:

Beneficial Interest in Assets Held by Others	2,403,096
Beneficial interests in perpetual trusts	158,940
Total	<u>2,562,036</u>
Total Net Assets with Donor Restrictions	<u>\$ 12,341,272</u>

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of Purpose Restrictions:	
Homework Help Centers	\$ 15,335
Minnesota Book Awards	5,500
International Languages	11,000
Library Programs	140,012
Total	<u>171,847</u>
Restricted-Purpose Spending-Rate	
Distributions and Appropriations:	
General Operations	957,879
Information Commons Materials & Support	52,988
Children's Materials	28,889
Summer Reading Program	11,232
Library Materials	14,335
Minnesota Book Awards	1,557
Total	<u>1,066,880</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 1,238,727</u></u>

NOTE 10 ENDOWMENT FUNDS

The Organization's endowment consists of 33 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law-Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the state of Minnesota effective August 1, 2008. The board of trustees of the Organization has interpreted UPMIFA as requiring the preservation of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The original gift is valued at fair value on the date of the gift. . As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
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NOTE 10 ENDOWMENT FUNDS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net assets consisted of the following as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 627,689	\$ -	\$ 627,689
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	5,343,985	5,343,985
Accumulated Investment Gains	-	4,182,074	4,182,074
Total	<u>\$ 627,689</u>	<u>\$ 9,526,059</u>	<u>\$ 10,153,748</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2018	\$ 760,879	\$ 10,609,058	\$ 11,369,937
Net Investment Income	11,022	304,921	315,943
Appreciation on Investments	(45,680)	(694,971)	(740,651)
Contributions	-	373,931	373,931
Appropriation of Endowment Funds Assets for Expenditure	(98,532)	(1,066,880)	(1,165,412)
Balance, December 31, 2018	<u>\$ 627,689</u>	<u>\$ 9,526,059</u>	<u>\$ 10,153,748</u>

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NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters – The board of trustees has adopted an Endowment Investment Policy designed to maintain the purchasing power of the endowment assets and to provide for a predictable amount of annual distributions that will keep pace with increasing funding needs. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as the cumulative earnings on those funds that the board has not appropriated for expenditure. Endowment assets also include assets designated as endowment by the board of trustees. The Organization expects its Endowment Funds to provide for current needs with an eye toward future needs and expects its investments to yield a steady and growing income stream consistent with capital preservation. The Organization has established a risk tolerance of moderate volatility and is willing to absorb some interim fluctuations in market value and rates of return in order to achieve longer-term objectives.

Strategies Employed for Achieving Objectives – In accordance with the Endowment Investment Policy, the Organization's Investment Committee, in conjunction with outside advisors, has developed a diversified endowment investment portfolio. The Organization's investment strategy seeks both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization seeks an allocation of short-term and long-term investments diversified between equities and fixed income, but places a greater emphasis on equity-based investments within prudent risk constraints.

Spending Policy and the Relationship of Investment Objectives to the Spending Policy – The Organization has adopted a Spending Policy that uses the Yale Method for endowment funds under its control. Under this policy, the draw calculation is equal to the sum of:

- 80% of the prior year draw multiplied by one plus the consumer price index for the 12-month period ended September 30 of the prior year; and
- 20% endowment fund balances under the Organization's control as of September 30 of the prior year, multiplied by 4.75%.

The Organization, with required governance approval, took an additional draw in 2018 of approximately \$500,000 in order to pay off debt. This draw is included in the general operations release total in Note 9, Net Assets With Donor Restrictions.

All distributions must be consistent with restrictions attached to the endowment contributions.

In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

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NOTE 11 IN-KIND CONTRIBUTIONS

The following in-kind contributions of contributed materials and services were received for the year ended December 31, 2018 and are included with contributions on the statement of activities:

Advertising	\$ 127,774
Printing Programs and Invitations	2,263
Events	14,811
Other	3,807
Total	<u>\$ 148,655</u>

In-kind contributions were used in the Organization's activities as follows:

Statement of Functional Expenses:	
Programs	\$ 23,040
Management and General	4,872
Fund Development	120,743
Total	<u>\$ 148,655</u>

NOTE 12 OPERATING LEASES

The Organization leases its office space under an operating lease through April 30, 2023, with the remaining base rental payments payable in monthly installments of approximately \$4,200. Total rent expense under the facilities lease, including a proportional share of real estate taxes and operating expenses, was \$64,801 for the year ended December 31, 2018. In addition to the office lease, the Organization also leases certain equipment under operating lease agreements. Total equipment lease expense was \$31,143 for the year ended December 31, 2018.

Future minimum lease payments for all operating leases, excluding the estimated share of real estate taxes and operating expenses, are as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 78,331
2020	73,161
2021	66,207
2022	69,025
2023	23,243
Total	<u>\$ 309,967</u>

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NOTE 13 RETIREMENT PLAN

The Organization has a defined contribution retirement plan for the benefit of all part-time and full-time employees who have completed one year of employment. Contributions to the plan are discretionary, and amounts contributed are determined annually by the Organization's board of trustees. Contributions to the plan for the year ended December 31, 2018 was \$51,410.