

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>



## 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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
July 1, 2020

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 611,215	\$ 651,314
Contributions Receivable	200,838	104,162
Accounts Receivable - Consulting Service Fees	167,077	166,144
Prepaid Expenses and Other Assets	41,972	67,440
Total Current Assets	<u>1,021,102</u>	<u>989,060</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	161,325	197,325
<b>INVESTMENTS</b>	12,195,738	10,696,240
<b>OTHER ASSETS</b>		
Contributions Receivable, Net of Current Portion	51,000	2,105
Beneficial Interest in Perpetual Trust	-	158,940
Beneficial Interests in Assets Held by Others	2,856,282	2,403,096
Total Other Assets	<u>2,907,282</u>	<u>2,564,141</u>
Total Assets	<u><u>\$ 16,285,447</u></u>	<u><u>\$ 14,446,766</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 97,975	\$ 93,453
Accrued Expenses and Other	261,658	281,862
Current Portion of Notes Payable	25,255	24,146
Total Current Liabilities	<u>384,888</u>	<u>399,461</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	<u>80,539</u>	<u>105,125</u>
Total Liabilities	465,427	504,586
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board Designated	697,294	635,467
Undesignated	1,099,241	965,441
Total Without Donor Restrictions	<u>1,796,535</u>	<u>1,600,908</u>
With Donor Restrictions	<u>14,023,485</u>	<u>12,341,272</u>
Total Net Assets	<u>15,820,020</u>	<u>13,942,180</u>
Total Liabilities and Net Assets	<u><u>\$ 16,285,447</u></u>	<u><u>\$ 14,446,766</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Institutional Contributions	\$ 968,281	\$ 480,710	\$ 1,448,991
Individual Contributions	416,708	5,500	422,208
Consulting Service Fees	585,564	-	585,564
Investment Income, Net	295,079	1,680,633	1,975,712
Change in Value of Perpetual Trust	-	5,396	5,396
Change in Value of Assets Held by Others	-	242,206	242,206
Special Event, Net of Direct Expenses of \$62,925 and \$66,825 in 2019 and 2018, Respectively	265,970	-	265,970
Other Revenue	99,128	-	99,128
Net Assets Released from Restriction	732,232	(732,232)	-
Total Revenue	<u>3,362,962</u>	<u>1,682,213</u>	<u>5,045,175</u>
<b>EXPENSES</b>			
Programs:			
Support Grants to the Saint Paul Public Library	943,979	-	943,979
Program Expenses	1,265,800	-	1,265,800
Total Program Expenses	<u>2,209,779</u>	<u>-</u>	<u>2,209,779</u>
Support Services:			
Management and General	412,149	-	412,149
Fund Development	545,407	-	545,407
Total Supporting Services Expenses	<u>957,556</u>	<u>-</u>	<u>957,556</u>
Total Expenses	<u>3,167,335</u>	<u>-</u>	<u>3,167,335</u>
<b>CHANGE IN NET ASSETS</b>	195,627	1,682,213	1,877,840
Net Assets - Beginning of Year	<u>1,600,908</u>	<u>12,341,272</u>	<u>13,942,180</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,796,535</u></u>	<u><u>\$ 14,023,485</u></u>	<u><u>\$ 15,820,020</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 612,732	\$ 537,824	\$ 1,150,556
386,212	14,388	400,600
540,349	-	540,349
29,668	(390,049)	(360,381)
-	(16,083)	(16,083)
-	(223,740)	(223,740)
348,619	-	348,619
87,626	-	87,626
<u>1,238,727</u>	<u>(1,238,727)</u>	<u>-</u>
<u>3,243,933</u>	<u>(1,316,387)</u>	<u>1,927,546</u>
591,352	-	591,352
<u>1,368,495</u>	<u>-</u>	<u>1,368,495</u>
<u>1,959,847</u>	<u>-</u>	<u>1,959,847</u>
231,088	-	231,088
<u>563,929</u>	<u>-</u>	<u>563,929</u>
<u>795,017</u>	<u>-</u>	<u>795,017</u>
<u>2,754,864</u>	<u>-</u>	<u>2,754,864</u>
489,069	(1,316,387)	(827,318)
<u>1,111,839</u>	<u>13,657,659</u>	<u>14,769,498</u>
<u>\$ 1,600,908</u>	<u>\$ 12,341,272</u>	<u>\$ 13,942,180</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019				2018			
	Support Services			Total Expenses	Support Services			Total Expenses
	Programs	Management and General	Fund Development		Programs	Management and General	Fund Development	
Compensation and Benefits:								
Salaries	\$ 438,916	\$ 252,008	\$ 285,095	\$ 976,019	\$ 570,640	\$ 120,676	\$ 244,159	\$ 935,475
Payroll Taxes and Benefits	109,642	62,952	71,217	243,811	150,063	31,735	64,207	246,005
Total Compensation and Benefits	<u>548,558</u>	<u>314,960</u>	<u>356,312</u>	<u>1,219,830</u>	<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	943,979	-	-	943,979	591,352	-	-	591,352
Contract Labor	297,917	-	7,000	304,917	210,388	-	4,729	215,117
Special Event Costs	-	-	144,804	144,804	-	-	214,221	214,221
Event Logistics	93,352	-	10,746	104,098	89,026	-	2,573	91,599
Technology	40,388	23,189	26,233	89,810	52,862	11,179	22,618	86,659
Travel	96,341	182	1,248	97,771	76,478	230	9,114	85,822
Depreciation	22,076	12,675	14,339	49,090	43,057	9,106	18,423	70,586
Rent	30,836	17,705	20,029	68,570	39,529	8,359	16,913	64,801
Public Relations	66,736	3,061	3,786	73,583	63,297	1,663	3,148	68,108
Professional Services	3,159	19,220	1,503	23,882	16,219	26,338	6,940	49,497
Supplies and Equipment	7,561	3,375	3,835	14,771	13,131	1,918	5,775	20,824
Professional Development	5,509	2,842	3,229	11,580	7,740	1,165	6,975	15,880
Administrative/Miscellaneous	53,367	14,940	15,268	83,575	36,065	18,719	10,959	65,743
Total Expenses	<u>2,209,779</u>	<u>412,149</u>	<u>608,332</u>	<u>3,230,260</u>	<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	-	-	(62,925)	(62,925)	-	-	(66,825)	(66,825)
Total Expenses per Statement of Activities	<u>\$ 2,209,779</u>	<u>\$ 412,149</u>	<u>\$ 545,407</u>	<u>\$ 3,167,335</u>	<u>\$ 1,959,847</u>	<u>\$ 231,088</u>	<u>\$ 563,929</u>	<u>\$ 2,754,864</u>
Percentages	70%	13%	17%	100%	71%	8%	21%	100%

See accompanying Notes to Financial Statements.



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,877,840	\$ (827,318)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	49,090	70,586
Noncash Contributions	(210,913)	-
Contributions Restricted for Endowment	(181,109)	(374,907)
Change in Value of Beneficial Interests in Assets Held by Others	(342,608)	126,664
Change in Value of Perpetual Trust	(5,396)	16,083
Net Realized and Unrealized Loss (Gain) on Investments	(1,664,735)	786,054
Net Change in Assets and Liabilities:		
Contributions Receivable	(145,571)	187,777
Accounts Receivable - Consulting Service Fees	(933)	(69,032)
Prepaid Expenses and Other Assets	25,468	(25,088)
Accounts Payable	4,522	77,066
Accrued Expenses and Other	(20,204)	28,290
Total Adjustments	<u>(2,492,389)</u>	<u>823,493</u>
Net Cash Used by Operating Activities	(614,549)	(3,825)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(13,090)	-
Proceeds from Sale of Investments	1,942,066	2,745,759
Purchase of Investments	<u>(1,612,493)</u>	<u>(2,186,936)</u>
Net Cash Provided by Investing Activities	316,483	558,823
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Endowment	181,109	374,907
Distributions from Beneficial Interests in Assets Held by Others	100,335	97,076
Principal Payments on Notes Payable	<u>(23,477)</u>	<u>(1,059,977)</u>
Net Cash Provided (Used) by Financing Activities	<u>257,967</u>	<u>(587,994)</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(40,099)	(32,996)
Cash and Cash Equivalents - Beginning of Year	<u>651,314</u>	<u>684,310</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 611,215</u>	<u>\$ 651,314</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 5,422</u>	<u>\$ 16,268</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 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, 2019 AND 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 \$200,838 in current amounts and the remaining \$51,000 is scheduled to be received in one to two years in 2021 and 2022.

**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 statements of activities.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 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 third-party trustee, administers and invests the assets which have been transferred to it, and distributes net income and principal of the trusts. 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. During the year ended December 31, 2019, the trustee transferred the assets to the Organization who now serves as trustee of the assets. These assets are now reported with investments on the statements of financial position.

**Beneficial Interests in Assets Held by Others**

The Organization has established eight separate charitable funds with Saint Paul & Minnesota Foundation (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 seven funds are 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.

**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, 2019 AND 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 \$208,893 and \$238,480 for the years ended December 31, 2019 and 2018, respectively, and are included with Accrued Expenses and Other on the statements 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 statements of activities as Net Assets Released from Restrictions.

Unconditional contributions are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of December 31, 2019 and 2018.

The Organization received 10% and 23% of contribution revenue from one donor for the years ended December 31, 2019 and 2018, respectively.

**Recognition of Consulting Service Revenue**

Consulting service fees are recognized as revenue over the period in which the service is provided. Services are provided at hourly rates and are billed and recognized as revenue as those services are provided over the contract period.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 statements 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**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. These financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle (Continued)**

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. These financial statements reflect the adoption of ASU 2018-08 beginning in fiscal year 2019. The implementation of this standard did not impact the Organization's reported revenue and has been applied prospectively.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 1, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared a global pandemic related to COVID-19 (COVID). The impact of COVID on the Organization may require revisions to organizational activities – including fundraising, events and programming. The response of the Organization has been to proactively monitor and revise its business practices. The Organization will make decisions about in-person events based upon the most current medical and government guidance. In addition, both domestic and international equity markets have experienced significant fluctuations since December 31, 2019. As of July 1, 2020, the amount and likelihood of loss relating to these events is not determined.

Subsequent to year-end, the Organization received a loan in the amount of \$226,500 to fund payroll, rent and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

**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 \$697,294 and \$635,467 as of December 31, 2019 and 2018, respectively. 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 FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3 LIQUIDITY (CONTINUED)**

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

	2019	2018
Financial Assets At Year-End:		
Cash and Cash Equivalents	\$ 611,215	\$ 651,314
Contributions Receivable Within One Year	200,838	104,162
Accounts Receivable	167,077	166,144
Liquid Financial Assets Available To Meet General Expenditures Within One Year	979,130	921,620
Less Those Unavailable for General Expenditures Within One Year, Due to Donor-Imposed or Contractual Restrictions	(151,590)	(253,177)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 827,540	\$ 668,443

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 \$406,504 for general operating funds.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	2019	2018
Leasehold Improvements	\$ 282,941	\$ 282,941
Office Equipment	50,207	65,745
Total Property and Equipment	333,148	348,686
Less: Accumulated Depreciation	(171,823)	(151,361)
Property and Equipment, Net	\$ 161,325	\$ 197,325

Total depreciation expense was \$49,090 and \$70,586 for the years ended December 31, 2019 and 2018, respectively.



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 INVESTMENTS**

Investments consisted of the following at December 31:

	2019	2018
Cash Equivalents	\$ 329,317	\$ 957,866
U.S. Equities	2,214,656	1,806,510
International Equities	1,462,279	895,573
Balanced Mutual Funds	5,571,804	4,659,354
Real Estate Investment Trusts	191,329	552,745
Managed Futures	287,536	-
U.S. and Corporate Debt Securities	2,138,817	1,824,192
Total Investments	<u>\$ 12,195,738</u>	<u>\$ 10,696,240</u>

Net investment income consisted of the following for the years ended December 31:

	2019	2018
Net Realized and Unrealized Gains (Losses)	\$ 1,664,735	\$ (786,054)
Interest and Dividends, Net of Investment Expense	310,977	425,673
Total Investment Income, Net	<u>\$ 1,975,712</u>	<u>\$ (360,381)</u>

Net investment return is net of investment expense of \$42,641 and \$42,785 for the years ended December 31, 2019 and 2018, respectively.

**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:

	2019			Total
	Level 1	Level 2	Level 3	
U.S. Equities	\$ 2,214,656	\$ -	\$ -	\$ 2,214,656
International Equities	1,462,279	-	-	1,462,279
Balanced Mutual Funds	5,571,804	-	-	5,571,804
Real Estate Investment Trusts	191,329	-	-	191,329
Managed Futures	287,536	-	-	287,536
U.S. and Corporate Debt Securities	-	2,138,817	-	2,138,817
Total	9,727,604	2,138,817	-	11,866,421
Cash Equivalents				329,317
Total Investments				<u>12,195,738</u>
Perpetual Trust	-	-	-	-
Investments Held by Others	-	-	2,856,282	2,856,282
Total	<u>\$ 9,727,604</u>	<u>\$ 2,138,817</u>	<u>\$ 2,856,282</u>	<u>\$ 15,052,020</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2018			Total
	Level 1	Level 2	Level 3	
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	7,914,182	1,824,192	-	9,738,374
Cash Equivalents				957,866
Total Investments				10,696,240
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>

**Level 3 Assets**

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

	Beneficial Interest in Funds Held by Others	Perpetual Trust
Balances at January 1, 2019	\$ 2,403,096	\$ 158,940
Investment Income, Net	342,608	-
Change in Value	-	5,396
Contributions	210,913	-
Transfers	-	(164,336)
Distributions	(100,335)	-
Balances as of December 31, 2019	<u>\$ 2,856,282</u>	<u>\$ -</u>

	Beneficial Interest in Funds Held by Others	Perpetual Trust
Balances at January 1, 2018	\$ 2,626,836	\$ 175,023
Investment Income, Net	(126,664)	-
Change in Value	-	(16,083)
Contributions	-	-
Distributions	(97,076)	-
Balances as of December 31, 2018	<u>\$ 2,403,096</u>	<u>\$ 158,940</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 7 NOTES PAYABLE**

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2019</u>	<u>2018</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.	\$ 105,794	129,271
Less: Current Portion	<u>(25,255)</u>	<u>(24,146)</u>
Net Long-Term Notes Payable	<u>\$ 80,539</u>	<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>
2020	\$ 25,255
2021	26,416
2022	27,629
2023	26,494
Total	<u>\$ 105,794</u>

**NOTE 8 BOARD-DESIGNATED NET ASSETS**

The board of trustees has designated the following net assets without donor restrictions as of December 31:

	<u>2019</u>	<u>2018</u>
Endowment to Support Library Current Need (Ortha Robbins)	\$ 688,742	\$ 627,689
Investment and Philanthropy Library Materials	8,552	7,778
Total	<u>\$ 697,294</u>	<u>\$ 635,467</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2019	2018
Subject to Expenditure for Specified Purpose:		
Homework Help Centers	\$ -	\$ 57,796
Minnesota Book Awards	53,495	25,000
Data Project	27,345	-
International Languages	-	16,837
Library Program	9,750	153,544
75th Anniversary	44,000	-
Fitzgerald Programming	17,000	-
Total	151,590	253,177
Endowments (see Note 10):		
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Restricted by Donors for:		
General Operations	3,102,913	2,973,958
Information Commons Materials and Support	842,364	842,364
Children's Materials	589,876	588,726
Summer Reading Program	342,500	342,500
Writers	330,106	330,106
Library Materials	402,280	238,317
Minnesota Book Awards	28,014	28,014
Total	5,638,053	5,343,985
Subject to Endowment Spending Policy and Appropriation (see Note 10):		
General Operations	4,110,555	3,385,122
Information Commons Materials and Support	579,894	389,360
Children's Materials	382,229	253,055
Summer Reading Program	152,123	80,737
Library Materials	137,015	72,305
Minnesota Book Awards	15,744	9,816
Underwater Endowments	-	(8,321)
Total	5,377,560	4,182,074
Total Endowments	11,015,613	9,526,059
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others	2,856,282	2,403,096
Beneficial Interests in Perpetual Trusts	-	158,940
Total	2,856,282	2,562,036
Total Net Assets with Donor Restrictions	\$ 14,023,485	\$ 12,341,272

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 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 years ended December 31:

	2019	2018
Satisfaction of Purpose Restrictions:		
Homework Help Centers	\$ 57,794	\$ 15,335
Minnesota Book Awards	25,000	5,500
International Languages	16,837	11,000
Library Programs	149,077	140,012
Total	248,708	171,847
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
General Operations	353,631	957,879
Information Commons Materials and Support	54,445	52,988
Children's Materials	29,679	28,889
Summer Reading Program	13,320	11,232
Library Materials	15,011	14,335
Minnesota Book Awards	17,438	1,557
Total	483,524	1,066,880
Total Net Assets Released from Donor Restrictions	\$ 732,232	\$ 1,238,727

**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 board 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 688,742	\$ -	\$ 688,742
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	5,638,053	5,638,053
Accumulated Investment Gains	-	5,377,560	5,377,560
Total	\$ 688,742	\$ 11,015,613	\$ 11,704,355
	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	\$ 627,689	\$ 9,526,059	\$ 10,153,748

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2019	\$ 627,689	\$ 9,526,059	\$ 10,153,748
Net Investment Income	11,205	199,966	211,171
Appreciation on Investments	85,336	1,480,666	1,566,002
Contributions	-	292,446	292,446
Appropriation of Endowment Funds			
Assets for Expenditure	(35,488)	(483,524)	(519,012)
Balance, December 31, 2019	<u>\$ 688,742</u>	<u>\$ 11,015,613</u>	<u>\$ 11,704,355</u>
	2018		
	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>

*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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

*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.

**NOTE 11 IN-KIND CONTRIBUTIONS**

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

	2019	2018
Advertising	\$ 61,348	\$ 127,774
Printing Programs and Invitations	-	2,263
Events	11,756	14,811
Other	150	3,807
Total	\$ 73,254	\$ 148,655

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

	2019	2018
Statement of Functional Expenses:		
Programs	\$ 36,992	\$ 23,040
Management and General	-	4,872
Fund Development	36,262	120,743
Total	\$ 73,254	\$ 148,655



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 \$68,569 and \$64,801 for the years ended December 31, 2019 and 2018, respectively. In addition to the office lease, the Organization also leases certain equipment under operating lease agreements. Total equipment lease expense was \$22,447 and \$31,143 for the years ended December 31, 2019 and 2018, respectively.

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>
2020	\$ 73,366
2021	67,791
2022	69,030
2023	23,243
Total	<u>\$ 233,430</u>

**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 years ended December 31, 2019 and 2018 was \$48,505 and \$51,410, respectively.