

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



[CLAconnect.com](http://CLAconnect.com)

WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

<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, 2020 and 2019, 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, 2020 and 2019, 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  
April 29, 2021

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,371,826	\$ 611,215
Contributions Receivable	174,854	200,838
Accounts Receivable - Consulting Service Fees	45,569	167,077
Prepaid Expenses and Other Assets	38,539	41,972
Total Current Assets	1,630,788	1,021,102
<b>PROPERTY AND EQUIPMENT, NET</b>	122,386	161,325
<b>INVESTMENTS</b>	13,020,015	12,195,738
<b>OTHER ASSETS</b>		
Contributions Receivable, Net of Current Portion	25,000	51,000
Beneficial Interests in Assets Held by Others	2,974,048	2,856,282
Total Other Assets	2,999,048	2,907,282
Total Assets	\$ 17,772,237	\$ 16,285,447
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 21,670	\$ 97,975
Accrued Expenses and Other	293,734	261,658
Current Portion of Notes Payable	26,416	25,255
Total Current Liabilities	341,820	384,888
<b>LONG-TERM LIABILITIES</b>		
Notes Payable, Net of Current Portion	54,326	80,539
Total Liabilities	396,146	465,427
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board Designated	742,578	697,294
Undesignated	1,690,932	1,099,241
Total Without Donor Restrictions	2,433,510	1,796,535
With Donor Restrictions	14,942,581	14,023,485
Total Net Assets	17,376,091	15,820,020
Total Liabilities and Net Assets	\$ 17,772,237	\$ 16,285,447

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>REVENUE</b>			
Institutional Contributions	\$ 1,266,768	\$ 269,474	\$ 1,536,242
Individual Contributions	411,569	700	412,269
Consulting Service Fees	265,369	-	265,369
Investment Income, Net	220,377	1,146,923	1,367,300
Change in Value of Perpetual Trust	-	-	-
Change in Value of Assets Held by Others	-	134,919	134,919
Special Event, Net of Direct Expenses of \$12,986 and \$62,925 in 2020 and 2019, Respectively	256,717	-	256,717
Other Revenue	64,517	-	64,517
Net Assets Released from Restriction	632,920	(632,920)	-
Total Revenue	<u>3,118,237</u>	<u>919,096</u>	<u>4,037,333</u>
<b>EXPENSES</b>			
Programs:			
Support Grants to the Saint Paul Public Library	604,644	-	604,644
Program Expenses	997,022	-	997,022
Total Program Expenses	<u>1,601,666</u>	-	<u>1,601,666</u>
Support Services:			
Management and General	382,426	-	382,426
Fund Development	497,170	-	497,170
Total Supporting Services Expenses	<u>879,596</u>	-	<u>879,596</u>
Total Expenses	<u>2,481,262</u>	-	<u>2,481,262</u>
<b>CHANGE IN NET ASSETS</b>	636,975	919,096	1,556,071
Net Assets - Beginning of Year	<u>1,796,535</u>	<u>14,023,485</u>	<u>15,820,020</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 2,433,510</u></u>	<u><u>\$ 14,942,581</u></u>	<u><u>\$ 17,376,091</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 968,281	\$ 480,710	\$ 1,448,991
416,708	5,500	422,208
585,564	-	585,564
295,079	1,680,633	1,975,712
-	5,396	5,396
-	242,206	242,206
265,970	-	265,970
99,128	-	99,128
<u>732,232</u>	<u>(732,232)</u>	<u>-</u>
<u>3,362,962</u>	<u>1,682,213</u>	<u>5,045,175</u>
943,979	-	943,979
<u>1,265,800</u>	<u>-</u>	<u>1,265,800</u>
<u>2,209,779</u>	<u>-</u>	<u>2,209,779</u>
412,149	-	412,149
<u>545,407</u>	<u>-</u>	<u>545,407</u>
<u>957,556</u>	<u>-</u>	<u>957,556</u>
<u>3,167,335</u>	<u>-</u>	<u>3,167,335</u>
195,627	1,682,213	1,877,840
<u>1,600,908</u>	<u>12,341,272</u>	<u>13,942,180</u>
<u>\$ 1,796,535</u>	<u>\$ 14,023,485</u>	<u>\$ 15,820,020</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020				2019			
	Support Services			Total Expenses	Support Services			Total Expenses
	Programs	Management and General	Fund Development		Programs	Management and General	Fund Development	
Compensation and Benefits:								
Salaries	\$ 464,838	\$ 223,541	\$ 271,436	\$ 959,815	\$ 438,916	\$ 252,008	\$ 285,095	\$ 976,019
Payroll Taxes and Benefits	112,013	53,867	65,408	231,288	109,642	62,952	71,217	243,811
Total Compensation and Benefits	<u>576,851</u>	<u>277,408</u>	<u>336,844</u>	<u>1,191,103</u>	<u>548,558</u>	<u>314,960</u>	<u>356,312</u>	<u>1,219,830</u>
Support Grants to the Saint Paul Public Library	604,644	-	-	604,644	943,979	-	-	943,979
Contract Labor	148,983	-	-	148,983	297,917	-	7,000	304,917
Special Event Costs	-	-	95,097	95,097	-	-	144,804	144,804
Event Logistics	60,793	-	500	61,293	93,352	-	10,746	104,098
Technology	47,362	19,612	23,814	90,788	40,388	23,189	26,233	89,810
Travel	15,354	24	1,026	16,404	96,341	182	1,248	97,771
Depreciation	24,265	11,669	14,169	50,103	22,076	12,675	14,339	49,090
Rent	30,270	14,557	17,676	62,503	30,836	17,705	20,029	68,570
Public Relations	36,448	2,675	2,282	41,405	66,736	3,061	3,786	73,583
Professional Services	-	18,652	-	18,652	3,159	19,220	1,503	23,882
Supplies and Equipment	5,218	2,240	2,720	10,178	7,561	3,375	3,835	14,771
Professional Development	6,505	2,746	3,335	12,586	5,509	2,842	3,229	11,580
Administrative/Miscellaneous	44,973	32,843	12,693	90,509	53,367	14,940	15,268	83,575
Total Expenses	<u>1,601,666</u>	<u>382,426</u>	<u>510,156</u>	<u>2,494,248</u>	<u>2,209,779</u>	<u>412,149</u>	<u>608,332</u>	<u>3,230,260</u>
Event Costs of Direct Benefit to Donors	-	-	(12,986)	(12,986)	-	-	(62,925)	(62,925)
Total Expenses per Statement of Activities	<u>\$ 1,601,666</u>	<u>\$ 382,426</u>	<u>\$ 497,170</u>	<u>\$ 2,481,262</u>	<u>\$ 2,209,779</u>	<u>\$ 412,149</u>	<u>\$ 545,407</u>	<u>\$ 3,167,335</u>
Percentages	65%	15%	20%	100%	70%	13%	17%	100%

See accompanying Notes to Financial Statements.



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,556,071	\$ 1,877,840
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	50,104	49,090
Noncash Contributions	-	(210,913)
Contributions Restricted for Endowment	(236,583)	(181,109)
Change in Value of Beneficial Interests in Assets Held by Others	(219,250)	(342,608)
Change in Value of Perpetual Trust	-	(5,396)
Net Realized and Unrealized Loss (Gain) on Investments	(1,067,021)	(1,664,735)
Net Change in Assets and Liabilities:		
Contributions Receivable	51,984	(145,571)
Accounts Receivable - Consulting Service Fees	121,508	(933)
Prepaid Expenses and Other Assets	3,433	25,468
Accounts Payable	(76,305)	4,522
Accrued Expenses and Other	32,076	(20,204)
Total Adjustments	(1,340,054)	(2,492,389)
Net Cash Provided (Used) by Operating Activities	216,017	(614,549)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(11,165)	(13,090)
Proceeds from Sale of Investments	2,851,855	1,942,066
Purchase of Investments	(2,609,111)	(1,612,493)
Net Cash Provided by Investing Activities	231,579	316,483
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Endowment	236,583	181,109
Distributions from Beneficial Interests in Assets Held by Others	101,484	100,335
Principal Payments on Notes Payable	(25,052)	(23,477)
Net Cash Provided by Financing Activities	313,015	257,967
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	760,611	(40,099)
Cash and Cash Equivalents - Beginning of Year	611,215	651,314
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,371,826	\$ 611,215

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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 \$174,854 in current amounts and the remaining \$25,000 is scheduled to be received in the year 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, 2020 AND 2019**

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

**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.

*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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

**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 \$252,756 and \$208,893 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

The Organization received 11% and 10% of contribution revenue from one donor for the years ended December 31, 2020 and 2019, 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.

**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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

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

**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.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2021, the date the financial statements were available to be issued.

**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 \$742,578 and \$697,264 as of December 31, 2020 and 2019, 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 \$394,000 to \$404,000.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 LIQUIDITY (CONTINUED)**

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

	<u>2020</u>	<u>2019</u>
Financial Assets At Year-End:		
Cash and Cash Equivalents	\$ 1,371,826	\$ 611,215
Contributions Receivable Within One Year	174,854	200,838
Accounts Receivable	<u>45,569</u>	<u>167,077</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	1,592,249	979,130
Less Those Unavailable for General Expenditures Within One Year, Due to Donor-Imposed or Contractual Restrictions	<u>(568,674)</u>	<u>(363,492)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,023,575</u>	<u>\$ 615,638</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 \$404,399 for general operating funds.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ 282,940	\$ 282,941
Office Equipment	61,373	50,207
Total Property and Equipment	<u>344,313</u>	<u>333,148</u>
Less: Accumulated Depreciation	<u>(221,927)</u>	<u>(171,823)</u>
Property and Equipment, Net	<u>\$ 122,386</u>	<u>\$ 161,325</u>

Total depreciation expense was \$50,104 and \$49,090 for the years ended December 31, 2020 and 2019, respectively.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 5 INVESTMENTS**

Investments consisted of the following at December 31:

	2020	2019
Cash Equivalents	\$ 1,075,570	\$ 329,317
U.S. Equities	2,228,882	2,214,656
International Equities	1,396,896	1,462,279
Balanced Mutual Funds	5,745,915	5,571,804
Real Estate Investment Trusts	193,113	191,329
Managed Futures	326,539	287,536
U.S. and Corporate Debt Securities	2,053,100	2,138,817
Total Investments	<u>\$ 13,020,015</u>	<u>\$ 12,195,738</u>

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

	2020	2019
Net Realized and Unrealized Gains (Losses)	\$ 1,067,021	\$ 1,664,735
Interest and Dividends, Net of Investment Expense	300,279	310,977
Total Investment Income, Net	<u>\$ 1,367,300</u>	<u>\$ 1,975,712</u>

Net investment return is net of investment expense of \$40,663 and \$42,641 for the years ended December 31, 2020 and 2019, 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:

	2020			
	Level 1	Level 2	Level 3	Total
U.S. Equities	\$ 2,228,882	\$ -	\$ -	\$ 2,228,882
International Equities	1,396,896	-	-	1,396,896
Balanced Mutual Funds	5,745,915	-	-	5,745,915
Real Estate Investment Trusts	193,113	-	-	193,113
Managed Futures	326,539	-	-	326,539
U.S. and Corporate Debt Securities	-	2,053,100	-	2,053,100
Total	<u>9,891,345</u>	<u>2,053,100</u>	<u>-</u>	<u>11,944,445</u>
Cash Equivalents				<u>1,075,570</u>
Total Investments				<u>13,020,015</u>
Investments Held by Others	-	-	2,974,048	2,974,048
Total	<u>\$ 9,891,345</u>	<u>\$ 2,053,100</u>	<u>\$ 2,974,048</u>	<u>\$ 15,994,063</u>



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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

	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	<u>9,727,604</u>	<u>2,138,817</u>	-	<u>11,866,421</u>
Cash Equivalents				<u>329,317</u>
Total Investments				<u>12,195,738</u>
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>

**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, 2020	\$ 2,856,282	\$ -
Investment Income, Net	219,250	
Distributions	(101,484)	
Balances as of December 31, 2020	<u>\$ 2,974,048</u>	<u>\$ -</u>

	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>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 7 NOTES PAYABLE**

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2020</u>	<u>2019</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.	\$ 80,742	105,794
Less: Current Portion	<u>(26,416)</u>	<u>(25,255)</u>
Net Long-Term Notes Payable	<u>\$ 54,326</u>	<u>\$ 80,539</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 26,416
2022	27,629
2023	<u>26,697</u>
Total	<u>\$ 80,742</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>2020</u>	<u>2019</u>
Endowment to Support Library Current Need (Ortha Robbins)	\$ 733,753	\$ 688,742
Investment and Philanthropy Library Materials	<u>8,825</u>	<u>8,552</u>
Total	<u>\$ 742,578</u>	<u>\$ 697,294</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2020	2019
Subject to Expenditure for Specified Purpose:		
Minnesota Book Awards	\$ 48,760	\$ 53,495
Data Project	-	27,345
Library Program	247,536	9,750
75th Anniversary	-	44,000
Fitzgerald Programming	15,500	17,000
Total	311,796	151,590
Endowments (see Note 10):		
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Restricted by Donors for:		
General Operations	3,382,070	3,102,913
Information Commons Materials and Support	842,364	842,364
Children's Materials	593,026	589,876
Summer Reading Program	342,500	342,500
Writers	-	330,106
Library Materials	453,280	402,280
Minnesota Book Awards	28,014	28,014
Total	5,641,254	5,638,053
Subject to Endowment Spending Policy and Appropriation (see Note 10):		
General Operations	4,710,043	4,110,555
Information Commons Materials and Support	595,961	579,894
Children's Materials	388,922	382,229
Summer Reading Program	168,296	152,123
Library Materials	146,158	137,015
Minnesota Book Awards	16,375	15,744
Total	6,025,755	5,377,560
Total Endowments	11,667,009	11,015,613
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others	2,963,776	2,856,282
Total	2,963,776	2,856,282
Total Net Assets with Donor Restrictions	\$ 14,942,581	\$ 14,023,485

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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:

	2020	2019
Satisfaction of Purpose Restrictions:		
Homework Help Centers	\$ -	\$ 57,794
Minnesota Book Awards	47,197	25,000
International Languages	-	16,837
Library Programs	14,217	149,077
Data Project	27,345	-
75th anniversary	44,000	-
Fitzgerald programming	1,500	-
Total	134,259	248,708
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
General Operations	222,196	353,631
Information Commons Materials and Support	114,248	54,445
Children's Materials	78,948	29,679
Summer Reading Program	31,385	13,320
Library Materials	48,487	15,011
Minnesota Book Awards	3,397	17,438
Total	498,661	483,524
Total Net Assets Released from Donor Restrictions	\$ 632,920	\$ 732,232

**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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

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.

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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 733,753	\$ -	\$ 733,753
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	5,641,254	5,641,254
Accumulated Investment Gains	-	6,025,755	6,025,755
Total	\$ 733,753	\$ 11,667,009	\$ 12,400,762

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 10 ENDOWMENT FUNDS (CONTINUED)**

	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

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2020	\$ 688,742	\$ 11,015,613	\$ 11,704,355
Net Investment Income	11,264	193,103	204,367
Appreciation on Investments	69,151	953,820	1,022,971
Contributions	-	3,134	3,134
Appropriation of Endowment Funds			
Assets for Expenditure	(35,404)	(498,661)	(534,065)
Balance, December 31, 2020	\$ 733,753	\$ 11,667,009	\$ 12,400,762

	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	\$ 688,742	\$ 11,015,613	\$ 11,704,355

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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%.

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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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:

	<u>2020</u>	<u>2019</u>
Advertising	\$ 65,304	\$ 61,348
Events	7,490	11,756
Other	105	150
Total	<u>\$ 72,899</u>	<u>\$ 73,254</u>

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

	<u>2020</u>	<u>2019</u>
Statement of Functional Expenses:		
Programs	\$ 40,903	\$ 36,992
Fund Development	31,996	36,262
Total	<u>\$ 72,899</u>	<u>\$ 73,254</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 \$62,502 and \$68,569 for the years ended December 31, 2020 and 2019, respectively. In addition to the office lease, the Organization also leases certain equipment under operating lease agreements. Total equipment lease expense was \$9,116 and \$22,447 for the years ended December 31, 2020 and 2019, 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>
2021	\$ 67,791
2022	71,004
2023	23,243
Total	<u>\$ 162,038</u>



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019 was \$45,338 and \$48,505, respectively.

**NOTE 14 PAYCHECK PROTECTION PROGRAM AND SUBSEQUENT EVENT**

On April 15, 2020, the Organization received proceeds in the amount of \$225,600 to fund payroll, rent, and utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (PPP). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

The Organization has classified this loan as a conditional contribution for accounting purposes. The Organization recognized \$225,600 of income related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP loan funds for which the performance barriers have been met. Subsequent to year end, the SBA formally approved forgiveness. These funds were recognized as revenue and are included in the Institutional Contributions total on the Statement of Activities.

The SBA may review funding eligibility and use of fund for compliance with program requirements based on dollar thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Subsequent to year-end, on April 2, 2021, the Organization received a second loan in the amount of \$221,447 to fund payroll, rent, and utilities through PPP. This PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and has a term of five years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness, within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is either 8 or 24 weeks and is the period that the Organization has to spend their PPP loan funds.

