

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**



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**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Friends of the Saint Paul Public Library, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Friends of the Saint Paul Public Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Friends of the Saint Paul Public Library's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

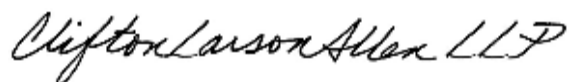
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Friends of the Saint Paul Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Friends of the Saint Paul Public Library's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 27, 2022

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,225,296	\$ 1,371,826
Contributions Receivable	240,594	174,854
Accounts Receivable - Consulting Service Fees	105,488	45,569
Prepaid Expenses and Other Assets	55,791	38,539
Total Current Assets	<u>1,627,169</u>	<u>1,630,788</u>
PROPERTY AND EQUIPMENT, NET	87,805	122,386
INVESTMENTS	14,562,597	13,020,015
OTHER ASSETS		
Contributions Receivable, Net of Current Portion	-	25,000
Beneficial Interests in Assets Held by Others	3,409,047	2,974,048
Total Other Assets	<u>3,409,047</u>	<u>2,999,048</u>
Total Assets	<u>\$ 19,686,618</u>	<u>\$ 17,772,237</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 155,685	\$ 21,670
Accrued Expenses and Other	270,444	293,734
Current Portion of Notes Payable	-	26,416
Total Current Liabilities	<u>426,129</u>	<u>341,820</u>
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	-	54,326
Total Liabilities	<u>426,129</u>	<u>396,146</u>
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	768,819	742,578
Undesignated	2,007,481	1,690,932
Total Without Donor Restrictions	<u>2,776,300</u>	<u>2,433,510</u>
With Donor Restrictions	16,484,189	14,942,581
Total Net Assets	<u>19,260,489</u>	<u>17,376,091</u>
Total Liabilities and Net Assets	<u>\$ 19,686,618</u>	<u>\$ 17,772,237</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Institutional Contributions	\$ 955,041	\$ 135,074	\$ 1,090,115
Individual Contributions	526,760	2,500	529,260
Consulting Service Fees	396,336	-	396,336
Investment Income, Net	250,145	1,574,344	1,824,489
Change in Value of Assets Held by Others	-	434,999	434,999
Special Event, Net of Direct Expenses of \$16,211 and \$12,986 in 2021 and 2020, Respectively	228,225	-	228,225
Other Revenue	92,085	-	92,085
Net Assets Released from Restriction	605,309	(605,309)	-
Total Revenue	<u>3,053,901</u>	<u>1,541,608</u>	<u>4,595,509</u>
EXPENSES			
Programs:			
Support Grants to the Saint Paul Public Library	690,425	-	690,425
Program Expenses	1,124,691	-	1,124,691
Total Program Expenses	<u>1,815,116</u>	<u>-</u>	<u>1,815,116</u>
Support Services:			
Management and General	421,250	-	421,250
Fund Development	474,745	-	474,745
Total Supporting Services Expenses	<u>895,995</u>	<u>-</u>	<u>895,995</u>
Total Expenses	<u>2,711,111</u>	<u>-</u>	<u>2,711,111</u>
CHANGE IN NET ASSETS	342,790	1,541,608	1,884,398
Net Assets - Beginning of Year	<u>2,433,510</u>	<u>14,942,581</u>	<u>17,376,091</u>
NET ASSETS - END OF YEAR	<u>\$ 2,776,300</u>	<u>\$ 16,484,189</u>	<u>\$ 19,260,489</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
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 Assets Held by Others	-	134,919	134,919
Special Event, Net of Direct Expenses of \$16,211 and \$12,986 in 2021 and 2020, 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>
EXPENSES			
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>-</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>-</u>	<u>879,596</u>
Total Expenses	<u>2,481,262</u>	<u>-</u>	<u>2,481,262</u>
CHANGE IN NET ASSETS	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>
NET ASSETS - END OF YEAR	<u>\$ 2,433,510</u>	<u>\$ 14,942,581</u>	<u>\$ 17,376,091</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Programs	Support Services		Total Expenses	Programs	Support Services		Total Expenses
		Management and General	Fund Development			Management and General	Fund Development	
Compensation and Benefits:								
Salaries	\$ 485,918	\$ 250,655	\$ 247,039	\$ 983,612	\$ 464,838	\$ 223,541	\$ 271,436	\$ 959,815
Payroll Taxes and Benefits	125,173	64,563	63,651	253,387	112,013	53,867	65,408	231,288
Total Compensation and Benefits	<u>611,091</u>	<u>315,218</u>	<u>310,690</u>	<u>1,236,999</u>	<u>576,851</u>	<u>277,408</u>	<u>336,844</u>	<u>1,191,103</u>
Support Grants to the Saint Paul Public Library	690,425	-	-	690,425	604,644	-	-	604,644
Contract Labor	254,552	15,600	499	270,651	148,983	-	-	148,983
Special Event Costs	-	-	96,035	96,035	-	-	95,097	95,097
Event Logistics	25,892	-	-	25,892	60,793	-	500	61,293
Technology	23,245	9,150	23,942	56,337	47,362	19,612	23,814	90,788
Travel	10,496	-	542	11,038	15,354	24	1,026	16,404
Depreciation	24,494	12,634	12,455	49,583	24,265	11,669	14,169	50,103
Rent	32,711	16,872	16,634	66,217	30,270	14,557	17,676	62,503
Public Relations	55,688	53	67	55,808	36,448	2,675	2,282	41,405
Professional Services	-	18,648	-	18,648	-	18,652	-	18,652
Supplies and Equipment	3,869	1,520	1,720	7,109	5,218	2,240	2,720	10,178
Professional Development	17,461	9,006	8,879	35,346	6,505	2,746	3,335	12,586
Administrative/Miscellaneous	65,192	22,549	19,493	107,234	44,973	32,843	12,693	90,509
Total Expenses	<u>1,815,116</u>	<u>421,250</u>	<u>490,956</u>	<u>2,727,322</u>	<u>1,601,666</u>	<u>382,426</u>	<u>510,156</u>	<u>2,494,248</u>
Event Costs of Direct Benefit to Donors	-	-	(16,211)	(16,211)	-	-	(12,986)	(12,986)
Total Expenses per Statement of Activities	<u>\$ 1,815,116</u>	<u>\$ 421,250</u>	<u>\$ 474,745</u>	<u>\$ 2,711,111</u>	<u>\$ 1,601,666</u>	<u>\$ 382,426</u>	<u>\$ 497,170</u>	<u>\$ 2,481,262</u>
Percentages	67%	16%	17%	100%	65%	15%	20%	100%

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,884,398	\$ 1,556,071
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	49,583	50,104
Contributions Restricted for Endowment	(123,641)	(236,583)
Change in Value of Beneficial Interests in Assets Held by Others	(536,483)	(219,250)
Noncash Addition of Property and Equipment	(6,350)	-
Noncash Contribution of Inventory	(9,150)	-
Net Realized and Unrealized Loss (Gain) on Investments	(1,529,367)	(1,067,021)
Net Change in Assets and Liabilities:		
Contributions Receivable	(40,740)	51,984
Accounts Receivable - Consulting Service Fees	(59,919)	121,508
Prepaid Expenses and Other Assets	(8,102)	3,433
Accounts Payable	134,015	(76,305)
Accrued Expenses and Other	(23,290)	32,076
Total Adjustments	(2,153,444)	(1,340,054)
Net Cash Provided (Used) by Operating Activities	(269,046)	216,017
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(8,652)	(11,165)
Proceeds from Sale of Investments	783,262	2,851,855
Purchase of Investments	(796,477)	(2,609,111)
Net Cash Provided (Used) by Investing Activities	(21,867)	231,579
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Endowment	123,641	236,583
Distributions from Beneficial Interests in Assets Held by Others	101,484	101,484
Principal Payments on Notes Payable	(80,742)	(25,052)
Net Cash Provided by Financing Activities	144,383	313,015
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(146,530)	760,611
Cash and Cash Equivalents - Beginning of Year	1,371,826	611,215
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,225,296	\$ 1,371,826

See accompanying Notes to Financial Statements.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 \$240,594 in current amounts.

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, 2021 AND 2020

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, 2021 AND 2020**

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 \$207,672 and \$252,756 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

There is no contribution revenue concentration for the year ended December 21, 2021. The Organization received 11% of contribution revenue from one donor for the year ended December 31, 2020.

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.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

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

For the years ended December 31, 2021 and 2020, 63% of the Organization's contributions receivable for both years were due from four entities and two entities, respectively.

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 Principles

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The financial statements reflect the application of the ASU using a retrospective approach to each period presented.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 27, 2022, the date the financial statements were available to be issued.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 \$768,819 and \$742,578 as of December 31, 2021 and 2020, 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 in reserves.

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

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,225,296	\$ 1,371,826
Contributions Receivable Within One Year	240,594	174,854
Accounts Receivable	105,488	45,569
Liquid Financial Assets Available to Meet General Expenditures Within One Year	1,571,378	1,592,249
Less: Those Unavailable for General Expenditures Within One Year, Due to Donor-Imposed or Contractual Restrictions	(539,569)	(568,674)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,031,809	\$ 1,023,575

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 \$537,616 for general operating funds.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2021	2020
Leasehold Improvements	\$ 282,527	\$ 282,940
Office Equipment	67,778	61,373
Total Property and Equipment	<u>350,305</u>	<u>344,313</u>
Less: Accumulated Depreciation	(262,500)	(221,927)
Property and Equipment, Net	<u>\$ 87,805</u>	<u>\$ 122,386</u>

Total depreciation expense was \$49,583 and \$50,104 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 INVESTMENTS

Investments consisted of the following at December 31:

	2021	2020
Cash Equivalents	\$ 515,596	\$ 1,075,570
U.S. Equities	2,604,029	2,228,882
International Equities	1,589,065	1,396,896
Balanced Mutual Funds	7,240,029	5,745,915
Real Estate Investment Trusts	253,847	193,113
Managed Futures	338,082	326,539
U.S. and Corporate Debt Securities	2,021,949	2,053,100
Total Investments	<u>\$ 14,562,597</u>	<u>\$ 13,020,015</u>

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

	2021	2020
Net Realized and Unrealized Gains (Losses)	\$ 1,546,373	\$ 1,067,021
Interest and Dividends, Net of Investment Expense	278,116	300,279
Total Investment Income, Net	<u>\$ 1,824,489</u>	<u>\$ 1,367,300</u>

Net investment return is net of investment expense of \$38,374 and \$40,663 for the years ended December 31, 2021 and 2020, respectively.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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:

	2021			Total
	Level 1	Level 2	Level 3	
U.S. Equities	\$ 2,604,029	\$ -	\$ -	\$ 2,604,029
International Equities	1,589,065	-	-	1,589,065
Balanced Mutual Funds	7,240,029	-	-	7,240,029
Real Estate Investment Trusts	253,847	-	-	253,847
Managed Futures	338,082	-	-	338,082
U.S. and Corporate Debt Securities	-	2,021,949	-	2,021,949
Total	<u>12,025,052</u>	<u>2,021,949</u>	<u>-</u>	<u>14,047,001</u>
Cash Equivalents				515,596
Total Investments				<u>14,562,597</u>
Investments Held by Others	-	-	3,409,047	3,409,047
Total	<u>\$ 12,025,052</u>	<u>\$ 2,021,949</u>	<u>\$ 3,409,047</u>	<u>\$ 17,971,644</u>

	2020			Total
	Level 1	Level 2	Level 3	
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				1,075,570
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, 2021 AND 2020**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

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

	Beneficial Interest in Funds Held by Others
Balance - January 1, 2021	<u>\$ 2,974,048</u>
Investment Income, Net	547,085
Distributions	<u>(112,086)</u>
Balance - December 31, 2021	<u><u>\$ 3,409,047</u></u>

	Beneficial Interest in Funds Held by Others
Balance - January 1, 2020	<u>\$ 2,856,282</u>
Investment Income, Net	219,250
Distributions	<u>(101,484)</u>
Balance - December 31, 2020	<u><u>\$ 2,974,048</u></u>

The following is a summarization of the Level 3 significant unobservable inputs:

<u>Instrument</u>	<u>Fair Value</u>		<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
	<u>2021</u>	<u>2020</u>		
Beneficial Interest in Funds Held by Others	\$ 3,409,047	\$ 2,974,048	FMV of Investments	Value of Underlying Assets

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Note Payable to Bank: Note payable in the original amount of \$154,225 issued to finance the cost of leasehold improvements. Payments were due in monthly installments of \$2,448, including interest at 4.50%. This note was paid in full during the year ended December 31, 2021.	\$ -	\$ 80,742
Less: Current Portion	<u>-</u>	<u>(26,416)</u>
Net Long-Term Notes Payable	<u><u>\$ -</u></u>	<u><u>\$ 54,326</u></u>

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 BOARD-DESIGNATED NET ASSETS

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

	2021	2020
Endowment to Support Library Current Need (Ortha Robbins)	\$ 758,617	\$ 733,753
Investment and Philanthropy Library Materials	10,202	8,825
Total	\$ 768,819	\$ 742,578

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specified Purpose:		
Minnesota Book Awards	\$ 45,563	\$ 48,760
Library Program	275,834	247,536
Fitzgerald Programming	10,500	15,500
Total	331,897	311,796
Endowments (see Note 10):		
Subject to Appropriation and Expenditure When a Specified Event Occurs:		
Restricted by Donors for:		
General Operations	3,304,009	3,382,070
Information Commons Materials and Support	842,364	842,364
Children's Materials	662,367	593,026
Summer Reading Program	342,500	342,500
Library Materials	504,780	453,280
Minnesota Book Awards	30,514	28,014
Total	5,686,534	5,641,254
Subject to Endowment Spending Policy and Appropriation (see Note 10):		
General Operations	5,059,873	4,710,043
Information Commons Materials and Support	604,790	595,961
Children's Materials	570,240	388,922
Summer Reading Program	259,911	168,296
Library Materials	537,217	146,158
Minnesota Book Awards	24,680	16,375
Total	7,056,711	6,025,755
Total Endowments	12,743,245	11,667,009
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others	3,409,047	2,963,776
Total	3,409,047	2,963,776
Total Net Assets with Donor Restrictions	\$ 16,484,189	\$ 14,942,581

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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:

	2021	2020
Satisfaction of Purpose Restrictions:		
Minnesota Book Awards	\$ 47,197	\$ 47,197
Library Programs	21,281	14,217
Data Project	-	27,345
75th anniversary	-	44,000
Fitzgerald programming	5,000	1,500
Total	73,478	134,259
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
General Operations	526,243	222,196
Information Commons Materials and Support	71	114,248
Children's Materials	1,270	78,948
Summer Reading Program	1,652	31,385
Library Materials	2,518	48,487
Minnesota Book Awards	77	3,397
Total	531,831	498,661
Total Net Assets Released from Donor Restrictions	\$ 605,309	\$ 632,920

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, 2021 AND 2020**

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:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 758,617	\$ -	\$ 758,617
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	5,686,534	5,686,534
Accumulated Investment Gains	-	7,056,711	7,056,711
Total	\$ 758,617	\$ 12,743,245	\$ 13,501,862
	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, 2021 AND 2020

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2021	\$ 733,753	\$ 11,667,009	\$ 12,400,762
Net Investment Income	18,710	240,560	259,270
Appreciation on Investments	50,964	1,295,667	1,346,631
Contributions	-	71,840	71,840
Appropriation of Endowment Funds			
Assets for Expenditure	(44,810)	(531,831)	(576,641)
Balance, December 31, 2021	<u>\$ 758,617</u>	<u>\$ 12,743,245</u>	<u>\$ 13,501,862</u>

	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	<u>\$ 733,753</u>	<u>\$ 11,667,009</u>	<u>\$ 12,400,762</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
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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%.

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:

	2021	2020
Advertising	\$ 27,215	\$ 65,304
Events	11,902	7,490
Furniture and supplies	7,997	-
Inventory	9,150	-
Other	-	105
Total	\$ 56,264	\$ 72,899

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

	2021	2020
Statement of Functional Expenses:		
Programs	\$ 27,215	\$ 40,903
Management and General	1,647	-
Fund Development	11,902	31,996
Total	\$ 40,764	\$ 72,899

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$66,217 and \$62,502 for the years ended December 31, 2021 and 2020, respectively. In addition to the office lease, the Organization also leases certain equipment under operating lease agreements. Total equipment lease expense was \$3,223 and \$9,116 for the years ended December 31, 2021 and 2020, 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>
2022	\$ 72,384
2023	24,527
Total	<u>\$ 96,911</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, 2021 and 2020 was \$51,840 and \$45,338, respectively.

NOTE 14 PAYCHECK PROTECTION PROGRAM

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 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. On January 19, 2021, 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 FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 PAYCHECK PROTECTION PROGRAM (CONTINUED)

On April 2, 2021, the Organization received a second PPP loan in the amount of \$221,447 to fund payroll, rent, and utilities. 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. On December 8, 2021, the SBA formally approved forgiveness for this second loan. 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 for up to seven years from forgiveness. 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.

