

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAAconnect.com](https://CLAAconnect.com)

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

<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

### **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, 2022 and 2021, 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, 2022 and 2021, 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  
April 27, 2023

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,264,860	\$ 1,225,296
Contributions Receivable	98,649	240,594
Accounts Receivable - Consulting Service Fees	90,255	105,488
Prepaid Expenses and Other Assets	<u>60,566</u>	<u>55,791</u>
Total Current Assets	1,514,330	1,627,169
<b>PROPERTY AND EQUIPMENT, NET</b>	50,651	87,805
<b>INVESTMENTS</b>	12,197,014	14,562,597
<b>OTHER ASSETS</b>		
Beneficial Interests in Assets Held by Others	<u>2,951,536</u>	<u>3,409,047</u>
Total Other Assets	<u>2,951,536</u>	<u>3,409,047</u>
Total Assets	<u><u>\$ 16,713,531</u></u>	<u><u>\$ 19,686,618</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 58,118	\$ 155,685
Accrued Expenses and Other	<u>241,270</u>	<u>270,444</u>
Total Current Liabilities	<u>299,388</u>	<u>426,129</u>
Total Liabilities	299,388	426,129
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board-Designated	626,579	768,819
Undesignated	<u>1,861,841</u>	<u>2,007,481</u>
Total Without Donor Restrictions	2,488,420	2,776,300
With Donor Restrictions	<u>13,925,723</u>	<u>16,484,189</u>
Total Net Assets	<u>16,414,143</u>	<u>19,260,489</u>
Total Liabilities and Net Assets	<u><u>\$ 16,713,531</u></u>	<u><u>\$ 19,686,618</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Institutional Contributions	\$ 792,429	\$ 358,836	\$ 1,151,265
Individual Contributions	507,398	75,809	583,207
Consulting Service Fees	391,148	-	391,148
Investment Income (Loss), Net	(284,396)	(1,649,157)	(1,933,553)
Change in Value of Assets Held by Others	-	(457,511)	(457,511)
Special Event, Net of Direct Expenses of \$55,228 and \$16,211 in 2022 and 2021, Respectively	165,439	-	165,439
Other Revenue	116,179	-	116,179
Contributed Nonfinancial Assets	45,509	-	45,509
Net Assets Released from Restriction	886,443	(886,443)	-
Total Revenue	2,620,149	(2,558,466)	61,683
<b>EXPENSES</b>			
Programs:			
Support Grants to the Saint Paul Public Library	729,525	-	729,525
Program Expenses	1,205,289	-	1,205,289
Total Program Expenses	1,934,814	-	1,934,814
Support Services:			
Management and General	459,099	-	459,099
Fund Development	514,116	-	514,116
Total Supporting Services Expenses	973,215	-	973,215
Total Expenses	2,908,029	-	2,908,029
<b>CHANGE IN NET ASSETS</b>	(287,880)	(2,558,466)	(2,846,346)
Net Assets - Beginning of Year	2,776,300	16,484,189	19,260,489
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,488,420</u>	<u>\$ 13,925,723</u>	<u>\$ 16,414,143</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Institutional Contributions	\$ 918,676	\$ 135,074	\$ 1,053,750
Individual Contributions	526,760	2,500	529,260
Consulting Service Fees	396,336	-	396,336
Investment Income (Loss), 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 \$55,228 and \$16,211 in 2022 and 2021, Respectively	208,326	-	208,326
Other Revenue	92,085	-	92,085
Contributed Nonfinancial Assets	56,264	-	56,264
Net Assets Released from Restriction	605,309	(605,309)	-
Total Revenue	3,053,901	1,541,608	4,595,509
<b>EXPENSES</b>			
Programs:			
Support Grants to the Saint Paul Public Library	690,425	-	690,425
Program Expenses	1,124,691	-	1,124,691
Total Program Expenses	1,815,116	-	1,815,116
Support Services:			
Management and General	421,250	-	421,250
Fund Development	474,745	-	474,745
Total Supporting Services Expenses	895,995	-	895,995
Total Expenses	2,711,111	-	2,711,111
<b>CHANGE IN NET ASSETS</b>	342,790	1,541,608	1,884,398
Net Assets - Beginning of Year	2,433,510	14,942,581	17,376,091
<b>NET ASSETS - END OF YEAR</b>	<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 FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022				2021			
	Support Services			Total Expenses	Support Services			Total Expenses
	Programs	Management and General	Fund Development		Programs	Management and General	Fund Development	
Compensation and Benefits:								
Salaries	\$ 474,922	\$ 277,038	\$ 237,461	\$ 989,421	\$ 485,918	\$ 250,655	\$ 247,039	\$ 983,612
Payroll Taxes and Benefits	125,458	73,184	62,729	261,371	125,173	64,563	63,651	253,387
Total Compensation and Benefits	600,380	350,222	300,190	1,250,792	611,091	315,218	310,690	1,236,999
Support Grants to the Saint Paul Public Library	729,525	-	-	729,525	690,425	-	-	690,425
Contract Labor	324,600	-	37,500	362,100	254,552	15,600	499	270,651
Special Event Costs	-	-	105,673	105,673	-	-	96,035	96,035
Event Logistics	41,494	-	5,581	47,075	25,892	-	-	25,892
Technology	31,930	13,931	28,640	74,501	23,245	9,150	23,942	56,337
Travel	36,683	168	480	37,331	10,496	-	542	11,038
Depreciation	25,628	14,949	12,814	53,391	24,494	12,634	12,455	49,583
Rent	35,024	20,430	17,512	72,966	32,711	16,872	16,634	66,217
Public Relations	38,618	8,381	9,452	56,451	55,688	53	67	55,808
Professional Services	-	24,505	-	24,505	-	18,648	-	18,648
Supplies and Equipment	3,414	1,487	1,296	6,197	3,869	1,520	1,720	7,109
Professional Development	9,288	5,418	4,644	19,350	17,461	9,006	8,879	35,346
Administrative/Miscellaneous	58,230	19,608	45,562	123,400	65,192	22,549	19,493	107,234
Total Expenses	1,934,814	459,099	569,344	2,963,257	1,815,116	421,250	490,956	2,727,322
Event Costs of Direct Benefit to Donors	-	-	(55,228)	(55,228)	-	-	(16,211)	(16,211)
Total Expenses per Statement of Activities	<u>\$ 1,934,814</u>	<u>\$ 459,099</u>	<u>\$ 514,116</u>	<u>\$ 2,908,029</u>	<u>\$ 1,815,116</u>	<u>\$ 421,250</u>	<u>\$ 474,745</u>	<u>\$ 2,711,111</u>
Percentages	67%	16%	17%	100%	67%	16%	17%	100%

See accompanying Notes to Financial Statements.



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,846,346)	\$ 1,884,398
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	53,391	49,583
Contributions Restricted for Endowment	(306,336)	(123,641)
Change in Value of Beneficial Interests in Assets Held by Others	339,497	(536,483)
Noncash Addition of Property and Equipment	-	(6,350)
Noncash Contribution of Inventory	-	(9,150)
Net Realized and Unrealized Loss (Gain) on Investments	2,355,332	(1,529,367)
Net Change in Assets and Liabilities:		
Contributions Receivable	141,945	(40,740)
Accounts Receivable - Consulting Service Fees	15,233	(59,919)
Prepaid Expenses and Other Assets	(4,775)	(8,102)
Accounts Payable	(97,567)	134,015
Accrued Expenses and Other	(29,174)	(23,290)
Total Adjustments	<u>2,467,546</u>	<u>(2,153,444)</u>
Net Cash Used by Operating Activities	<u>(378,800)</u>	<u>(269,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(16,237)	(8,652)
Proceeds from Sale of Investments	2,836,583	783,262
Purchase of Investments	<u>(2,826,332)</u>	<u>(796,477)</u>
Net Cash Used by Investing Activities	<u>(5,986)</u>	<u>(21,867)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Endowment	306,336	123,641
Distributions from Beneficial Interests in Assets Held by Others	118,014	101,484
Principal Payments on Notes Payable	<u>-</u>	<u>(80,742)</u>
Net Cash Provided by Financing Activities	<u>424,350</u>	<u>144,383</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	39,564	(146,530)
Cash and Cash Equivalents - Beginning of Year	<u>1,225,296</u>	<u>1,371,826</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,264,860</u></u>	<u><u>\$ 1,225,296</u></u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION**

The Friends of the Saint Paul Public Library (the Friends) is an independent, nonprofit organization that acts as a catalyst for libraries to strengthen and inspire their communities. The Friends invests in libraries through fundraising, advocacy, and programming because libraries are essential to strong communities.

The Friends of the Saint Paul Public Library was originally created in 1945 by then Library Director Perrie Jones. The Friends functions as the Library's foundation, managing more than \$15 million in endowment assets. The Friends annual fundraising supports ongoing library priorities such as innovation through pilot programs, children and youth enrichment initiatives, and digital equity and workforce services.

As Minnesota's Center for the Book, a Library of Congress designation, The Friends presents dynamic programming that reaches all corners of the state and promotes reading, libraries, and Minnesota's literary legacy. The Friends also assists other library systems and foundations with strategic planning, fundraising, and project management through the Library Strategies Consulting Group.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Friends' 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 Friends 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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**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.

**Cash and Cash Equivalents**

The Friends 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 Friends 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 \$98,649 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, 2022 AND 2021**

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

**Beneficial Interests in Assets Held by Others**

The Friends has established nine 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 two were 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 Friends 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 Friends 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 Friends 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, 2022 AND 2021**

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

**Fiscal Sponsor**

The Friends 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 \$171,726 and \$207,672 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

**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.

**Contributed Nonfinancial Assets**

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 Friends 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 Friends' cash balances may exceed federally insured limits.

For the years ended December 31, 2022, and 2021, 75% and 63% of the Friends' contributions receivable were due from three entities and four entities, respectively.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**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 Friends 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 Friends are tax deductible.

**Leases**

The Friends determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Friends' right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Friends will exercise that option. The Friends has elected to recognize payments for short-term leases with a term of 12 months or less as an expense as incurred and these leases are not included as ROU assets or lease liabilities.

**Adoption of Accounting Principles**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Adoption of Accounting Principles (Continued)**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Friends adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. There was no impact on the Friends' financial position and change in its net assets as a result of the adoption of this accounting standard. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

**Subsequent Events**

In preparing these financial statements, the Friends has evaluated events and transactions for potential recognition or disclosure through April 27, 2023, the date the financial statements were available to be issued.

**NOTE 3 LIQUIDITY**

The Friends 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 Friends has a committed line of credit in the amount of \$200,000 which it could draw upon. Additionally, the Friends has board-designated funds of \$626,579 and \$768,819 as of December 31, 2022 and 2021, respectively. Although the Friends 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 Friends has a goal to maintain two to three months normal operating expenses in reserves.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 3 LIQUIDITY (CONTINUED)**

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

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,264,860	\$ 1,225,296
Contributions Receivable Within One Year	98,649	240,594
Accounts Receivable	<u>90,255</u>	<u>105,488</u>
Liquid Financial Assets Available to Meet		
General Expenditures Within One Year	1,453,764	1,571,378
Less: Those Unavailable for General Expenditures		
Within One Year, Due to Donor-Imposed or		
Contractual Restrictions	<u>(456,395)</u>	<u>(539,569)</u>
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	<u>\$ 997,369</u>	<u>\$ 1,031,809</u>

In addition to these funds, the Friends 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 Friends' 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 \$924,350 for general operating funds.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ 287,530	\$ 282,527
Office Equipment	<u>67,778</u>	<u>67,778</u>
Total Property and Equipment	355,308	350,305
Less: Accumulated Depreciation	<u>(304,657)</u>	<u>(262,500)</u>
Property and Equipment, Net	<u>\$ 50,651</u>	<u>\$ 87,805</u>

Total depreciation expense was \$53,391 and \$49,583 for the years ended December 31, 2022 and 2021, respectively.



**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 INVESTMENTS**

Investments consisted of the following at December 31:

	2022	2021
Cash Equivalents	\$ 583,574	\$ 515,596
U.S. Equities	1,944,790	2,604,029
International Equities	1,087,706	1,589,065
Balanced Mutual Funds	6,231,738	7,240,029
Real Estate Investment Trusts	155,070	253,847
Managed Futures	408,213	338,082
U.S. and Corporate Debt Securities	1,785,923	2,021,949
Total Investments	<u>\$ 12,197,014</u>	<u>\$ 14,562,597</u>

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

	2022	2021
Net Realized and Unrealized Gains (Losses)	\$ (2,355,332)	\$ 1,546,373
Interest and Dividends, Net of Investment Expense	421,779	278,116
Total Investment Income (Loss), Net	<u>\$ (1,933,553)</u>	<u>\$ 1,824,489</u>

Net investment return is net of investment expense of \$41,337 and \$38,374 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 6 FAIR VALUE MEASUREMENTS**

The Friends 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 Friends values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis:

	2022			
	Level 1	Level 2	Level 3	Total
U.S. Equities	\$ 1,944,790	\$ -	\$ -	\$ 1,944,790
International Equities	1,087,706	-	-	1,087,706
Balanced Mutual Funds	6,231,738	-	-	6,231,738
Real Estate Investment Trusts	155,070	-	-	155,070
Managed Futures	408,213	-	-	408,213
U.S. and Corporate Debt Securities	-	1,785,923	-	1,785,923
Total	9,827,517	1,785,923	-	11,613,440
Cash Equivalents				583,574
Total Investments				12,197,014
Investments Held by Others	-	-	2,951,536	2,951,536
Total	<u>\$ 9,827,517</u>	<u>\$ 1,785,923</u>	<u>\$ 2,951,536</u>	<u>\$ 15,148,550</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

	2021			
	Level 1	Level 2	Level 3	Total
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	12,025,052	2,021,949	-	14,047,001
Cash Equivalents				515,596
Total Investments				14,562,597
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>

**Level 3 Assets**

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

	Beneficial Interest in Funds Held by Others	
	2022	2021
Balance - January 1	\$ 3,409,047	\$ 2,974,048
Investment Income, Net	(339,497)	547,085
Distributions	(118,014)	(112,086)
Balance - December 31	<u>\$ 2,951,536</u>	<u>\$ 3,409,047</u>

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

<u>Instrument</u>	Fair Value		Principal	Unobservable
	2022	2021	Valuation Technique	Inputs
Beneficial Interest in Funds Held by Others	\$ 2,951,536	\$ 3,409,047	FMV of Investments	Value of Underlying Assets

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 7 BOARD-DESIGNATED NET ASSETS**

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

	2022	2021
Endowment to Support Library Current Need (Ortha Robbins)	\$ 617,701	\$ 758,617
Investment and Philanthropy Library Materials	8,878	10,202
Total	<u>\$ 626,579</u>	<u>\$ 768,819</u>

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Minnesota Book Awards	\$ 39,500	\$ 45,563
Hamline Midway	1,625	-
Moving Costs	15,000	-
Library Program	228,544	275,834
Fitzgerald Programming	-	10,500
Total	<u>284,669</u>	<u>331,897</u>
Endowments (see Note 9):		
Donor-Restricted to be Held in Perpetuity		
Restricted by Donors for:		
General Operations	3,304,641	3,304,009
Information Commons Materials and Support	842,364	842,364
Children's Materials	717,953	662,367
Summer Reading Program	342,500	342,500
Library Materials	777,458	504,780
Minnesota Book Awards	30,514	30,514
Total	<u>6,015,430</u>	<u>5,686,534</u>
Subject to Endowment Spending Policy and Appropriation (see Note 9):		
General Operations	3,496,378	5,059,873
Information Commons Materials and Support	289,087	604,790
Children's Materials	341,434	570,240
Summer Reading Program	151,257	259,911
Library Materials	381,442	537,217
Minnesota Book Awards	14,490	24,680
Total	<u>4,674,088</u>	<u>7,056,711</u>
Total Endowments	<u>10,689,518</u>	<u>12,743,245</u>
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Assets Held by Others	<u>2,951,536</u>	<u>3,409,047</u>
Total	<u>2,951,536</u>	<u>3,409,047</u>
Total Net Assets with Donor Restrictions	<u>\$ 13,925,723</u>	<u>\$ 16,484,189</u>

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 8 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:

	2022	2021
Satisfaction of Purpose Restrictions:		
Minnesota Book Awards	\$ 33,563	\$ 47,197
Capital Campaign - Feasibility Study	59,184	-
Library Programs	31,852	21,281
Fitzgerald programming	10,500	5,000
Total	<u>135,099</u>	<u>73,478</u>
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
General Operations	588,583	526,243
Information Commons Materials and Support	65,007	71
Children's Materials	48,027	1,270
Summer Reading Program	19,632	1,652
Library Materials	28,108	2,518
Minnesota Book Awards	1,987	77
Total	<u>751,344</u>	<u>531,831</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 886,443</u>	<u>\$ 605,309</u>

**NOTE 9 ENDOWMENT FUNDS**

The Friends' endowment consists of 48 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 Friends 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, 2022 AND 2021**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

In accordance with UPMIFA, the Friends 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 Friends 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 Friends
- The investment policies of the Friends

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

2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 617,701	\$ -	\$ 617,701
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	6,015,430	6,015,430
Accumulated Investment Gains	-	4,674,088	4,674,088
Total	<u>\$ 617,701</u>	<u>\$ 10,689,518</u>	<u>\$ 11,307,219</u>
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	<u>\$ 758,617</u>	<u>\$ 12,743,245</u>	<u>\$ 13,501,862</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds with original gift values of \$451,103, fair values of \$411,807, and deficiencies of \$39,296 were reported in net assets with donor restrictions. At December 31, 2021, there were no funds with deficiencies.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2022	\$ 758,617	\$ 12,743,245	\$ 13,501,862
Net Investment Income	11,821	536,383	548,204
Appreciation on Investments	(8,661)	(2,489,396)	(2,498,057)
Contributions	-	650,630	650,630
Appropriation of Endowment Funds			
Assets for Expenditure	(144,076)	(751,344)	(895,420)
Balance, December 31, 2022	<u>\$ 617,701</u>	<u>\$ 10,689,518</u>	<u>\$ 11,307,219</u>

  

	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>

*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 Friends 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 Friends 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 Friends 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 Friends' Investment Committee, in conjunction with outside advisors, has developed a diversified endowment investment portfolio. The Friends' investment strategy seeks both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Friends seeks an allocation of short-term and long-term investments diversified between equities and fixed income but places a greater emphasis on equity-based investments within prudent risk constraints.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

*Spending Policy and the Relationship of Investment Objectives to the Spending Policy* – The Friends 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 Friends' 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 Friends considered the long-term expected return on its endowment. This is consistent with the Friends' 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 10 CONTRIBUTED NONFINANCIAL ASSETS**

Contributions of nonfinancial assets are recorded at their estimated fair value. Fair value of real assets is determined by cost comparison with similar items available on the market. 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.

For the years ended December 31, in-kind contributions included:

	2022	2021
Advertising	\$ 32,302	\$ 27,215
Event Support	13,207	11,902
Furniture	-	7,997
Artwork	-	9,150
Total	<u>\$ 45,509</u>	<u>\$ 56,264</u>

For the year ended December 31, 2022, in-kind contributions were recognized within the statement of activities for \$32,302 for advertising utilized for general and event-specific promotions, and \$13,207 in event support utilized for special events. In-kind contributions for the years ending December 31, 2022 and 2021, did not have donor-imposed restrictions.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)**

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

	<u>2022</u>	<u>2021</u>
Statement of Functional Expenses:		
Programs	\$ 25,742	\$ 27,215
Management and General	1,510	1,647
Fund Development	18,257	11,902
Total	<u>\$ 45,509</u>	<u>\$ 40,764</u>

**NOTE 11 RETIREMENT PLAN**

The Friends 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 Friends' board of trustees. Contributions to the plan for the years ended December 31, 2022 and 2021 was \$42,857 and \$51,840, respectively.

**NOTE 12 COMMITMENTS**

The Friends leases its office space under an existing operating lease through April 30, 2023, with the remaining monthly base rental payments due in installments of approximately \$4,200. Total rent expense under the facilities lease, including a proportional share of real estate taxes and operating expenses, was \$71,901 and \$66,217 for the years ended December 31, 2022 and 2021, respectively. In addition, the Friends also leases certain office equipment under operating lease agreements. Total equipment lease expense was \$3,138 and \$3,223 for the years ended December 31, 2022 and 2021, respectively. The Friends determined the office equipment leases were not material and chose not to record as a ROU asset and lease liability.

In 2022, the Friends entered into an one-year lease which will commence on February 1, 2023 through January 31, 2024. The office space is donated to the Friends and there are no minimum required payments for the base rent over the lease term. The Friends is obligated to pay variable costs for common area maintenance and utilities. The lease has an option to extend through April 30, 2025 that is not reasonably certain to be exercised at this time.

The following table summarizes future commitments for the existing office lease and office equipment leases as of December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 13,750
2024	1,140
2025	1,140
2026	1,140
2027	855
Total	<u>\$ 18,025</u>



