

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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
May 2, 2024

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,945,716	\$ 1,264,860
Contributions Receivable	452,000	98,649
Accounts Receivable - Consulting Service Fees	86,901	90,255
Prepaid Expenses and Other Assets	58,913	60,566
Total Current Assets	2,543,530	1,514,330
PROPERTY AND EQUIPMENT, NET	26,707	50,651
INVESTMENTS	13,063,590	12,197,014
OTHER ASSETS		
Beneficial Interests in Assets Held by Others	3,447,377	2,951,536
Total Other Assets	3,447,377	2,951,536
Total Assets	\$ 19,081,204	\$ 16,713,531
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 74,047	\$ 58,118
Accrued Expenses and Other	512,150	241,270
Total Current Liabilities	586,197	299,388
Total Liabilities	586,197	299,388
NET ASSETS		
Without Donor Restrictions		
Board-Designated	656,753	626,579
Undesignated	1,929,912	1,861,841
Total Without Donor Restrictions	2,586,665	2,488,420
With Donor Restrictions	15,908,342	13,925,723
Total Net Assets	18,495,007	16,414,143
Total Liabilities and Net Assets	\$ 19,081,204	\$ 16,713,531

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND GAINS/LOSSES			
Institutional Contributions	\$ 595,645	680,046	\$ 1,275,691
Individual Contributions	523,550	166,991	690,541
Consulting Service Fees	472,326	-	472,326
Investment Income (Loss), Net	288,974	1,317,318	1,606,292
Change in Value of Assets Held by Others	-	103,176	103,176
Special Event, Net of Direct Expenses of \$70,762 and \$55,228 in 2023 and 2022, Respectively	246,406	-	246,406
Loss on Disposal of Fixed Assets	(14,542)	-	(14,542)
Other Revenue	100,744	-	100,744
Contributed Nonfinancial Assets	203,121	392,665	595,786
Net Assets Released from Restriction	677,577	(677,577)	-
Total Revenue	<u>3,093,801</u>	<u>1,982,619</u>	<u>5,076,420</u>
EXPENSES			
Programs			
Support Grants to the Saint Paul Public Library	654,249	-	654,249
Program Expenses	1,251,162	-	1,251,162
Total Program Expenses	<u>1,905,411</u>	<u>-</u>	<u>1,905,411</u>
Support Services			
Management and General	515,101	-	515,101
Fund Development	575,044	-	575,044
Total Supporting Services Expenses	<u>1,090,145</u>	<u>-</u>	<u>1,090,145</u>
Total Expenses	<u>2,995,556</u>	<u>-</u>	<u>2,995,556</u>
OPERATING INCREASE (DECREASE) IN NET ASSETS	98,245	1,982,619	2,080,864
TOTAL CHANGE IN NET ASSETS	98,245	1,982,619	2,080,864
Net Assets - Beginning of Year	<u>2,488,420</u>	<u>13,925,723</u>	<u>16,414,143</u>
NET ASSETS - END OF YEAR	<u>\$ 2,586,665</u>	<u>\$ 15,908,342</u>	<u>\$ 18,495,007</u>

See accompanying Notes to Financial Statements.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND GAINS/LOSSES			
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 \$70,762 and \$55,228 in 2023 and 2022, Respectively	165,439	-	165,439
Loss on Disposal of Fixed Assets	-	-	-
Other Revenue	116,179	-	116,179
Contributed Nonfinancial Assets	45,509	-	45,509
Net Assets Released from Restriction	886,443	(886,443)	-
Total Revenue	<u>2,620,149</u>	<u>(2,558,466)</u>	<u>61,683</u>
EXPENSES			
Programs			
Support Grants to the Saint Paul Public Library	729,525	-	729,525
Program Expenses	1,205,289	-	1,205,289
Total Program Expenses	<u>1,934,814</u>	<u>-</u>	<u>1,934,814</u>
Support Services			
Management and General	459,099	-	459,099
Fund Development	514,116	-	514,116
Total Supporting Services Expenses	<u>973,215</u>	<u>-</u>	<u>973,215</u>
Total Expenses	<u>2,908,029</u>	<u>-</u>	<u>2,908,029</u>
OPERATING INCREASE (DECREASE) IN NET ASSETS	(287,880)	(2,558,466)	(2,846,346)
TOTAL CHANGE IN NET ASSETS	(287,880)	(2,558,466)	(2,846,346)
Net Assets - Beginning of Year	<u>2,776,300</u>	<u>16,484,189</u>	<u>19,260,489</u>
NET ASSETS - END OF YEAR	<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 FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023				2022			
	Programs	Support Services		Total Expenses	Programs	Support Services		Total Expenses
		Management and General	Fund Development			Management and General	Fund Development	
Compensation and Benefits								
Salaries	\$ 497,403	\$ 289,791	\$ 294,117	\$ 1,081,311	\$ 474,922	\$ 277,038	\$ 237,461	\$ 989,421
Payroll Taxes and Benefits	125,778	73,279	74,373	273,430	125,458	73,184	62,729	261,371
Total Compensation and Benefits	<u>623,181</u>	<u>363,070</u>	<u>368,490</u>	<u>1,354,741</u>	<u>600,380</u>	<u>350,222</u>	<u>300,190</u>	<u>1,250,792</u>
Support Grants to the Saint Paul Public Library	654,249	-	-	654,249	729,525	-	-	729,525
Contract Labor	300,893	4,983	6,322	312,198	324,600	-	37,500	362,100
Special Event Costs	-	-	120,635	120,635	-	-	105,673	105,673
Event Logistics	41,226	-	12,442	53,668	41,494	-	5,581	47,075
Technology	33,432	16,673	33,285	83,390	31,930	13,931	28,640	74,501
Travel	52,543	3,930	4,794	61,267	36,683	168	480	37,331
Depreciation	8,925	5,200	5,278	19,403	25,628	14,949	12,814	53,391
Rent	56,336	32,822	33,312	122,470	35,024	20,430	17,512	72,966
Public Relations	37,826	14,442	11,079	63,347	38,618	8,381	9,452	56,451
Professional Services	-	31,807	-	31,807	-	24,505	-	24,505
Supplies and Equipment	42,061	16,541	18,811	77,413	3,414	1,487	1,296	6,197
Professional Development	10,292	5,868	5,956	22,116	9,288	5,418	4,644	19,350
Administrative/Miscellaneous	44,447	19,765	25,402	89,614	58,230	19,608	45,562	123,400
Total Expenses	<u>1,905,411</u>	<u>515,101</u>	<u>645,806</u>	<u>3,066,318</u>	<u>1,934,814</u>	<u>459,099</u>	<u>569,344</u>	<u>2,963,257</u>
Event Costs of Direct Benefit to Donors	-	-	(70,762)	(70,762)	-	-	(55,228)	(55,228)
Total Expenses per Statement of Activities	<u>\$ 1,905,411</u>	<u>\$ 515,101</u>	<u>\$ 575,044</u>	<u>\$ 2,995,556</u>	<u>\$ 1,934,814</u>	<u>\$ 459,099</u>	<u>\$ 514,116</u>	<u>\$ 2,908,029</u>
Percentages	64%	17%	19%	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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,080,864	\$ (2,846,346)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	19,403	53,391
Contributions Restricted for Endowment	(368,374)	(306,336)
Change in Value of Beneficial Interests in Assets Held by Others	(622,272)	339,497
Net Realized and Unrealized Loss (Gain) on Investments	(1,365,558)	2,355,332
Loss on Disposal of Fixed Asset	14,451	-
Net Change in Assets and Liabilities:		
Contributions Receivable	(353,351)	141,945
Accounts Receivable - Consulting Service Fees	3,354	15,233
Prepaid Expenses and Other Assets	1,653	(4,775)
Accounts Payable	15,929	(97,567)
Accrued Expenses and Other	270,880	(29,174)
Total Adjustments	(2,383,885)	2,467,546
Net Cash Used by Operating Activities	(303,021)	(378,800)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(9,910)	(16,237)
Proceeds from Sale of Investments	1,626,991	2,836,583
Purchase of Investments	(1,128,009)	(2,826,332)
Net Cash Provided (Used) by Investing Activities	489,072	(5,986)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Endowment	368,374	306,336
Distributions from Beneficial Interests in Assets Held by Others	126,431	118,014
Net Cash Provided by Financing Activities	494,805	424,350
 NET CHANGE IN CASH AND CASH EQUIVALENTS	680,856	39,564
Cash and Cash Equivalents - Beginning of Year	1,264,860	1,225,296
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,945,716	\$ 1,264,860

See accompanying Notes to Financial Statements.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 ORGANIZATION

The Friends of the Saint Paul Public Library 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 thriving communities. As a charitable library support organization, The Friends is committed to being a diverse, equitable, inclusive, and anti-racist institution.

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 \$16 million in endowment assets. Friends annual fundraising supports ongoing library priorities such as innovation through pilot programs, children and family engagement, and digital equity and economic inclusion.

As Minnesota's Center for the Book, a Library of Congress designation, The Friends produces 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 its consulting services, Library Strategies.

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.

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, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$452,000 in current amounts.

Accounts Receivable – Consulting Service Fees

Accounts receivable due from consulting services are stated at the amount management expects to collect. The Friends provides for losses on accounts receivable using the measurement of expected credit losses. Expected credit losses are established based on management's analysis of historical collection rates and reasonable expectations of future collection performance. The Friends periodically assesses its methodologies for estimating credit losses in consideration of actual experiences, trends and changes in overall economic environment. Management has determined the current expected credit loss would be immaterial and therefore no amounts have been reflected in the statement of financial position for the year ended December 31, 2023 and 2022.

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 \$2,500 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, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Assets Held by Others

The Friends has established ten separate charitable funds with Saint Paul & Minnesota Foundation (SPMF) under terms of separate fund agreements. Eight 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, 2023 AND 2022**

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 \$393,131 and \$171,726 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

Conditional government grants are recognized when the conditions on which they depend are substantially met. As of December 31, 2023, there were conditional grants of \$330,414 awarded but with conditions that have not yet been met for recognition.

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.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

For the years ended December 31, 2023, and 2022, 74% and 75% of the Friends' contributions receivable were due from three entities both years, respectively. For the year ended December 31, 2023, 12% of the Friends' contributions were from one entity. No such concentrations existed for the year ended December 31, 2022.

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.

Changes in Accounting Principle

The Friends has adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Friends adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on Organization's financial statements but did change how the allowance for credit losses is determined.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Friends has evaluated events and transactions for potential recognition or disclosure through May 2, 2024, 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 \$656,753 and \$626,579 as of December 31, 2023 and 2022, 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' financial assets due within one year of the balance sheet for general expenditures are as follows:

	2023	2022
Financial Assets at Year-End		
Cash and Cash Equivalents	\$ 1,945,716	\$ 1,264,860
Contributions Receivable Within One Year	452,000	98,649
Accounts Receivable	86,901	90,255
Liquid Financial Assets Available to Meet General Expenditures Within One Year	2,484,617	1,453,764
Less: Those Unavailable for General Expenditures Within One Year, Due to Donor-Imposed or Contractual Restrictions	(1,177,218)	(456,395)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,307,399	\$ 997,369

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 \$937,314 for general operating funds.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Leasehold Improvements	\$ 12,251	\$ 287,530
Office Equipment	67,778	67,778
Total Property and Equipment	<u>80,029</u>	<u>355,308</u>
Less: Accumulated Depreciation	(53,322)	(304,657)
Property and Equipment, Net	<u><u>\$ 26,707</u></u>	<u><u>\$ 50,651</u></u>

Total depreciation expense was \$19,403 and \$53,391 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash Equivalents	\$ 232,141	\$ 583,574
U.S. Equities	2,304,867	1,944,790
International Equities	1,240,236	1,087,706
Balanced Mutual Funds	6,789,375	6,231,738
Real Estate Investment Trusts	138,498	155,070
Managed Futures	365,033	408,213
U.S. and Corporate Debt Securities	1,993,440	1,785,923
Total Investments	<u><u>\$ 13,063,590</u></u>	<u><u>\$ 12,197,014</u></u>

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

	<u>2023</u>	<u>2022</u>
Net Realized and Unrealized Gains (Losses)	\$ 1,365,558	\$ (2,355,332)
Interest and Dividends, Net of Investment Expense	390,095	421,779
Total Investment Income (Loss), Net	<u><u>\$ 1,755,653</u></u>	<u><u>\$ (1,933,553)</u></u>

Net investment return is net of investment expense of \$36,293 and \$41,337 for the years ended December 31, 2023 and 2022, respectively.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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:

	2023			Total
	Level 1	Level 2	Level 3	
U.S. Equities	\$ 2,304,867	\$ -	\$ -	\$ 2,304,867
International Equities	1,240,236	-	-	1,240,236
Balanced Mutual Funds	6,789,375	-	-	6,789,375
Real Estate Investment Trusts	138,498	-	-	138,498
Managed Futures	365,033	-	-	365,033
U.S. and Corporate Debt Securities	-	1,993,440	-	1,993,440
Total	<u>10,838,009</u>	<u>1,993,440</u>	-	<u>12,831,449</u>
Cash Equivalents				<u>232,141</u>
Total Investments				<u>13,063,590</u>
Investments Held by Others	-	-	3,447,377	3,447,377
Total	<u>\$ 10,838,009</u>	<u>\$ 1,993,440</u>	<u>\$ 3,447,377</u>	<u>\$ 16,510,967</u>
	2022			Total
	Level 1	Level 2	Level 3	
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	<u>9,827,517</u>	<u>1,785,923</u>	-	<u>11,613,440</u>
Cash Equivalents				<u>583,574</u>
Total Investments				<u>12,197,014</u>
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, 2023 AND 2022**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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	
	2023	2022
Balance - Beginning of Year	\$ 2,951,536	\$ 3,409,047
Investment Income, Net	229,607	(339,497)
Contributions	392,665	-
Distributions	(126,431)	(118,014)
Balance - End of Year	\$ 3,447,377	\$ 2,951,536

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

<u>Instrument</u>	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2023	2022		
Beneficial Interest in Funds Held by Others	\$ 3,447,377	\$ 2,951,536	FMV of Investments	Value of Underlying Assets

NOTE 7 BOARD-DESIGNATED NET ASSETS

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

	2023	2022
Endowment to Support Library Current Need (Ortha Robbins)	\$ 647,596	\$ 617,701
Investment and Philanthropy Library Materials	9,157	8,878
Total	\$ 656,753	\$ 626,579

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to Expenditure for Specified Purpose		
Minnesota Book Awards	\$ 22,068	\$ 39,500
Hamline Midway	5,625	1,625
Moving Costs	-	15,000
Library Program	225,078	228,544
Fitzgerald Programming	1,000	-
Moving Words	25,316	-
Capital Campaign	395,000	-
Total	674,087	284,669
Endowments (See Note 9)		
Donor-Restricted to be Held in Perpetuity		
Restricted by Donors for		
General Operations	3,305,034	3,304,641
Children, Youth, and Family	110,000	-
Information Commons Materials and Support	842,364	842,364
Children's Materials	720,639	717,953
Summer Reading Program	342,500	342,500
Library Materials	778,958	777,458
Minnesota Book Awards	33,014	30,514
Total	6,132,509	6,015,430
Subject to Endowment Spending Policy and Appropriation (See Note 9)		
General Operations	3,898,264	3,496,378
Information Commons Materials and Support	399,381	289,087
Children's Materials	428,173	341,434
Summer Reading Program	193,994	151,257
Library Materials	716,093	381,442
Minnesota Book Awards	18,464	14,490
Total	5,654,369	4,674,088
Total Endowments	11,786,878	10,689,518
Not Subject to Spending Policy or Appropriation		
Beneficial Interest in Assets Held by Others	3,447,377	2,951,536
Total	3,447,377	2,951,536
Total Net Assets with Donor Restrictions	\$ 15,908,342	\$ 13,925,723

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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:

	2023	2022
Satisfaction of Purpose Restrictions		
Minnesota Book Awards	\$ 27,500	\$ 33,563
Capital Campaign	23,990	59,184
Moving Costs	15,000	-
Library Programs	39,180	31,852
Fitzgerald programming	-	10,500
Total	105,670	135,099
Restricted-Purpose Spending-Rate Distributions and Appropriations		
General Operations	369,290	588,583
Information Commons Materials and Support	68,702	65,007
Children's Materials	50,589	48,027
Summer Reading Program	21,428	19,632
Library Materials	59,774	28,108
Minnesota Book Awards	2,124	1,987
Total	571,907	751,344
 Total Net Assets Released From Donor Restrictions	 \$ 677,577	 \$ 886,443

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.

**THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law-Endowment funds are regulated by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted by the state of Minnesota effective August 1, 2008. The board of trustees of the 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.

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:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 647,596	\$ -	\$ 647,596
Donor-Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	6,132,509	6,132,509
Accumulated Investment Gains	-	5,654,369	5,654,369
Total	\$ 647,596	\$ 11,786,878	\$ 12,434,474

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

	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	\$ 617,701	\$ 10,689,518	\$ 11,307,219

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, 2023, funds with original gift values of \$333,468, fair values of \$317,553, and deficiencies of \$15,915 were reported in net assets with donor restrictions. 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

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance - Beginning of Year	\$ 617,701	\$ 10,689,518	\$ 11,307,219
Net Investment Income	15,153	311,873	327,026
Appreciation on Investments	54,751	981,823	1,036,574
Contributions	-	375,571	375,571
Appropriation of Endowment Funds			
Assets for Expenditure	(40,009)	(571,907)	(611,916)
Balance - End of Year	\$ 647,596	\$ 11,786,878	\$ 12,434,474
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance - Beginning of Year	\$ 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 - End of Year	\$ 617,701	\$ 10,689,518	\$ 11,307,219

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters – The board of trustees has adopted an Endowment Investment Policy designed to maintain the purchasing power of the endowment assets and to provide for a predictable amount of annual distributions that will keep pace with increasing funding needs. Endowment assets include those assets of donor-restricted funds that the 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.

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.

THE FRIENDS OF THE SAINT PAUL PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Advertising	\$ 23,967	\$ 32,302
Event Support	20,762	13,207
Furniture and Equipment	60,700	-
Donated Use of Space	97,692	-
Property Held for Sale	392,665	-
Total	<u>\$ 595,786</u>	<u>\$ 45,509</u>

For the year ended December 31, 2023, in-kind contributions were recognized within the statement of activities for advertising utilized for general and event-specific promotions, event support utilized for special events, and office furniture and building space utilized in support of general administration for the year ending December 31, 2023. The value of these in-kind contributions was determined based on comparable market prices for similar goods and services. Property held for sale is currently showing as an asset on the statement of financial position in the Beneficial Interest in Assets Held by Others line item and the proceeds from sale are permanently restricted as an endowment for the year ending December 31, 2023. There were no other donor-imposed restrictions for in-kind contributions for the years ending December 31, 2023 and 2022. The Friend's estimate of the fair value of the property was determined by a market analysis of comparable properties, less expected selling and holding costs.

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

	<u>2023</u>	<u>2022</u>
Statement of Functional Expenses		
Programs	\$ 25,742	\$ 25,742
Management and General	158,392	1,510
Fund Development	18,987	18,257
Total	<u>\$ 203,121</u>	<u>\$ 45,509</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, 2023 and 2022 was \$42,957 and \$42,857, respectively.



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