

**Denver Public Library Friends  
Foundation**

**Financial Statements and Supplementary Information**

**December 31, 2020 and 2019**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

## **Independent Auditor's Report**

### **Board of Trustees Denver Public Library Friends Foundation**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Denver Public Library Friends Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Public Library Friends Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Trustees  
Denver Public Library Friends Foundation**

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Changes in Net Assets on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Keundinger, Cochrane & Congle, P.C.*

April 21, 2021

**Denver Public Library Friends Foundation**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Cash and cash equivalents (note 3)		
Operating	\$ 667,306	503,382
Restricted Funds - DPL	401,969	556,720
A Story Still to Tell	1,537,557	216,731
Accounts receivable and other assets	27,072	5,848
Contributions receivable (note 5)	2,656,798	131,260
Investments (note 4)	9,317,189	8,687,724
Equipment, net of accumulated depreciation of \$44,178 in 2020 and \$43,606 in 2019	967	1,539
Total assets	\$ 14,608,858	10,103,204
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 53,333	34,605
Paycheck Protection Program loan (note 6)	101,214	-
Deferred revenue	-	10,000
Total liabilities	154,547	44,605
Net assets (notes 7 and 8)		
Net assets without donor restrictions		
Board designated endowment fund	974,208	980,196
Undesignated	686,683	679,896
Total net assets without donor restrictions	1,660,891	1,660,092
Net assets with donor restrictions	12,793,420	8,398,507
Total net assets	14,454,311	10,058,599
Commitment and contingency (notes 10 and 11)		
Total liabilities and net assets	\$ 14,608,858	10,103,204

See the accompanying notes to the financial statements.

**Denver Public Library Friends Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2020**

	Without donor restrictions	With donor restrictions	Total
<b>Revenue, Gains and Support</b>			
Contributions, bequests and grants	\$ 578,496	4,800,101	5,378,597
Memberships	164,542	–	164,542
Donated services and facilities	53,680	–	53,680
Booklovers Ball revenue and support	275,016	–	275,016
Booklovers Ball direct expenses	(49,944)	–	(49,944)
Book sales and other fundraising events	188,151	–	188,151
Direct expenses of book sales and other fundraising events	(48,018)	–	(48,018)
Investment return (note 4)	33,328	921,456	954,784
Net assets released from restrictions (note 7)			
Restricted transfers to Denver Public Library	937,304	(937,304)	–
Other expenditures	389,340	(389,340)	–
	<u>2,521,895</u>	<u>4,394,913</u>	<u>6,916,808</u>
<b>Expenses</b>			
Program services			
Distributions to Denver Public Library	1,299,035	–	1,299,035
Other Library program assistance	393,153	–	393,153
Bookshop	15,878	–	15,878
	<u>1,708,066</u>	<u>–</u>	<u>1,708,066</u>
Supporting services			
General and administrative	242,207	–	242,207
Fund raising	570,823	–	570,823
	<u>813,030</u>	<u>–</u>	<u>813,030</u>
	<u>2,521,096</u>	<u>–</u>	<u>2,521,096</u>
<b>Change in net assets</b>	799	4,394,913	4,395,712
<b>Net assets at beginning of year</b>	<u>1,660,092</u>	<u>8,398,507</u>	<u>10,058,599</u>
<b>Net assets at end of year</b>	<u>\$ 1,660,891</u>	<u>12,793,420</u>	<u>14,454,311</u>

See the accompanying notes to the financial statements.

**Denver Public Library Friends Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2019**

	Without donor restrictions	With donor restrictions	Total
<b>Revenue, Gains and Support</b>			
Contributions, bequests and grants	\$ 417,131	859,601	1,276,732
Memberships	135,901	–	135,901
Donated services	58,701	–	58,701
Booklovers Ball revenue and support	309,719	–	309,719
Booklovers Ball direct expenses	(135,971)	–	(135,971)
Book sales and other fundraising events	282,532	–	282,532
Direct expenses of book sales and other fundraising events	(34,836)	–	(34,836)
Investment return (note 4)	193,425	1,128,705	1,322,130
Net assets released from restrictions (note 7)			
Restricted transfers to Denver Public Library	1,786,241	(1,786,241)	–
Other expenditures	4,767	(4,767)	–
	<u>3,017,610</u>	<u>197,298</u>	<u>3,214,908</u>
<b>Expenses</b>			
Program services			
Distributions to Denver Public Library	2,044,424	–	2,044,424
Other Library program assistance	46,785	–	46,785
Bookshop	47,203	–	47,203
	<u>2,138,412</u>	<u>–</u>	<u>2,138,412</u>
Supporting services			
General and administrative	228,141	–	228,141
Fund raising	617,835	–	617,835
	<u>845,976</u>	<u>–</u>	<u>845,976</u>
	<u>2,984,388</u>	<u>–</u>	<u>2,984,388</u>
<b>Change in net assets</b>	33,222	197,298	230,520
<b>Net assets at beginning of year</b>	<u>1,626,870</u>	<u>8,201,209</u>	<u>9,828,079</u>
<b>Net assets at end of year</b>	<u>\$ 1,660,092</u>	<u>8,398,507</u>	<u>10,058,599</u>

See the accompanying notes to the financial statements.

**Denver Public Library Friends Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Total program services	General and admin- istrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	\$ 68,824	138,392	330,277	468,669	537,493
Payroll taxes	6,815	9,185	27,236	36,421	43,236
Employee benefits	10,435	8,350	51,121	59,471	69,906
Occupancy	17,520	5,858	15,142	21,000	38,520
Technology/IT	25	1,340	14,774	16,114	16,139
Supplies	5,635	3,475	822	4,297	9,932
Advertising and promotion	17,187	940	56,923	57,863	75,050
Postage	19,568	811	2,160	2,971	22,539
Conferences and meetings	1,041	712	2,446	3,158	4,199
Travel	–	3,375	2,016	5,391	5,391
Professional fees	–	62,998	62,400	125,398	125,398
Special event expenses	–	–	97,962	97,962	97,962
Investment fees	–	62,135	–	62,135	62,135
Insurance	–	2,767	–	2,767	2,767
Earlier is Easier expenses	–	–	–	–	–
Distributions to the Library	1,554,071	–	–	–	1,554,071
Book shop activities	6,656	–	–	–	6,656
Fund raising	–	–	4,890	4,890	4,890
Depreciation	–	–	572	572	572
Miscellaneous	289	4,004	44	4,048	4,337
	<u>1,708,066</u>	<u>304,342</u>	<u>668,785</u>	<u>973,127</u>	<u>2,681,193</u>
Total functional expenses					
Less expenses included with revenue in the statement of activities					
Special event expenses	–	–	(97,962)	(97,962)	(97,962)
Investment fees	–	(62,135)	–	(62,135)	(62,135)
	<u>–</u>	<u>(62,135)</u>	<u>–</u>	<u>(62,135)</u>	<u>(62,135)</u>
Total expenses	<u>\$ 1,708,066</u>	<u>242,207</u>	<u>570,823</u>	<u>813,030</u>	<u>2,521,096</u>

See the accompanying notes to the financial statements.

**Denver Public Library Friends Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Total program services	General and admin- istrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	\$ —	108,218	362,419	470,637	470,637
Payroll taxes	—	8,769	34,984	43,753	43,753
Employee benefits	—	16,546	50,564	67,110	67,110
Occupancy	17,250	6,300	14,700	21,000	38,250
Technology/IT	—	1,600	14,456	16,056	16,056
Supplies	534	3,506	2,414	5,920	6,454
Advertising and promotion	4,035	—	49,972	49,972	54,007
Postage	15,714	1,542	2,986	4,528	20,242
Conferences and meetings	1,348	1,555	17,818	19,373	20,721
Travel	—	1,011	592	1,603	1,603
Professional fees	—	70,679	54,762	125,441	125,441
Special event expenses	—	—	170,807	170,807	170,807
Investment fees	—	59,813	—	59,813	59,813
Insurance	—	3,198	—	3,198	3,198
Earlier is Easier expenses	4,767	—	—	—	4,767
Distributions to the Library	2,080,424	—	—	—	2,080,424
Book shop activities	11,088	—	—	—	11,088
Fund raising	—	—	7,542	7,542	7,542
Depreciation	3,252	—	606	606	3,858
Miscellaneous	—	5,217	4,020	9,237	9,237
	<u>2,138,412</u>	<u>287,954</u>	<u>788,642</u>	<u>1,076,596</u>	<u>3,215,008</u>
Total functional expenses					
Less expenses included with revenue in the statement of activities					
Special event expenses	—	—	(170,807)	(170,807)	(170,807)
Investment fees	—	(59,813)	—	(59,813)	(59,813)
	<u>—</u>	<u>(59,813)</u>	<u>—</u>	<u>(59,813)</u>	<u>(59,813)</u>
Total expenses	<u>\$ 2,138,412</u>	<u>228,141</u>	<u>617,835</u>	<u>845,976</u>	<u>2,984,388</u>

See the accompanying notes to the financial statements.



**Denver Public Library Friends Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities</b>		
Contributions, bequests and grants	\$ 2,847,693	1,723,924
Memberships	164,542	135,901
Gala, book sales and other fundraising events	441,943	588,446
Interest and dividend income	181,232	216,020
Distributions to Denver Public Library	(1,299,035)	(2,044,424)
Cash paid to suppliers and employees	(1,319,178)	(1,083,786)
Net cash provided by (used in) operating activities	1,017,197	(463,919)
<b>Cash flows of investing activities</b>		
Sales of investments	388,597	309,813
Purchases of investments and reinvested income	(182,375)	(229,027)
Net cash provided by investing activities	206,222	80,786
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program loan	101,214	–
Proceeds from contributions permanently restricted for endowment	5,366	11,500
Net cash provided by financing activities	106,580	11,500
<b>Net increase (decrease) in cash and cash equivalents</b>	1,329,999	(371,633)
<b>Cash, cash equivalents, and restricted cash at beginning of year</b>	1,276,833	1,648,466
<b>Cash, cash equivalents, and restricted cash at end of year</b>	\$ 2,606,832	1,276,833
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities</b>		
Change in net assets	\$ 4,395,712	230,520
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized (gains) on investments	(835,687)	(1,165,923)
Depreciation	572	3,858
(Increase) decrease in contributions receivable	(2,525,538)	458,692
Increase in accounts receivable and other assets	(21,224)	(3,805)
Increase in accounts payable and accrued expenses	18,728	14,239
(Decrease) increase in deferred revenue	(10,000)	10,000
Contributions permanently restricted for endowment	(5,366)	(11,500)
<b>Net cash provided by (used in) operating activities</b>	\$ 1,017,197	(463,919)

See the accompanying notes to the financial statements.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**(1) Summary of Significant Accounting Policies**

**(a) Organization**

The Denver Public Library Friends Foundation (the Foundation) was incorporated in 1981 as a result of the merger of the Friends of the Denver Public Library, founded in 1941, and the Denver Public Library Foundation, founded in 1964. The Foundation holds and manages the Denver Public Library's (the Library) private funds and endowments, provides advocacy for the Library, and raises funds to enhance the Library's collection and to support services and programs for adults and children throughout the community of Denver.

**(b) Basis of Accounting**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other accrued liabilities.

**(c) Financial Statement Presentation**

The Foundation is required to present information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**(d) Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an initial maturity of three months or less, and that are not part of the long-term investment portfolio, to be cash equivalents. Additionally, money held in the Restricted Funds – DPL and A Story Still to Tell is considered to be cash and cash equivalents for purposes of the statements of cash flows.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(e) Concentrations of Credit Risk**

The Foundation places its cash and money market accounts with creditworthy, high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A significant portion of the funds are not insured by the FDIC. The Foundation has significant investments in debt and equity securities and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation and the investments are monitored by the management of the Foundation. Though the market value of investments is subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

**(f) Investments**

The Foundation reports investments at fair value. Fair value is determined as more fully described under the fair value measurements footnote (note 1g). In general, investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based upon quoted prices in active markets. For investments in alternative investments, the market value is based on information reported by investment managers.

Investment return consists of any interest, dividends, and capital gains and losses generated from investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statements of activities.

**(g) Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

## Denver Public Library Friends Foundation

### Notes to Financial Statements, Continued

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#### (1) Summary of Significant Accounting Policies, Continued

##### (g) Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Foundation's financial statements.

##### (h) Equipment

Equipment, which consists primarily of computers and related equipment, is recorded at cost, or, if donated, at the estimated fair value of the asset at the date of donation. Equipment is depreciated using the straight-line method over an estimated useful life of three years.

The Foundation is housed at the Denver Public Library and has the use of office equipment belonging to the Library without charge in exchange for certain in-kind services performed by the Foundation for the Library. See note 1(j) also.

##### (i) Revenue Recognition

###### Contributions, bequests, and grants

The Foundation accounts for contributions as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

The Foundation receives private gifts, grants and bequests on behalf of the Library. These gifts are recorded as restricted contributions to the Foundation's Restricted Fund - DPL at the time they are promised or received. When these funds are transferred to the Library, an expense is recorded and the restriction is released.

Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Conditional promises are recognized as receivables and revenue when the conditions on which they depend are substantially met. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

## Denver Public Library Friends Foundation

### Notes to Financial Statements, Continued

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#### **(1) Summary of Significant Accounting Policies, Continued**

##### **(i) Revenue Recognition, Continued**

###### Membership dues

Memberships are considered to be contributions to the Foundation rather than exchange transactions. Accordingly, membership payments are recorded as contributions without donor restrictions when received.

###### Fundraising events

Fundraising events revenue consists of ticket sales and sponsorships for the Booklovers Ball and the sale of used books at the bi-annual used book sales. Ticket sales and sponsorships may be received in advance of the event taking place and are recorded as deferred revenue. Used book sales amounts are recorded as revenue the day the sale takes place.

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations and individuals. The allowance for doubtful accounts is based on past experience and on analysis of the collectability of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year that they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. There is no allowance for doubtful accounts at December 31, 2020 and 2019, as all receivables are deemed fully collectible.

##### **(j) Donated Services and Use of Facilities**

The Library provides office space and other certain administrative services to the Foundation at no charge. The services are recorded as contributions and corresponding expenses at the Library's estimated cost which totaled \$53,680 and \$58,701 for 2020 and 2019, respectively. The expense has been recorded as general and administrative costs of \$7,169 and \$7,941, fund raising costs of \$22,899 and \$17,526, and programs costs of \$23,612 and \$33,234, in 2020 and 2019, respectively.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and fundraising events; these were not recognized as contributions in the financial statements because the recognition criteria under generally accepted accounting principles were not met.

##### **(k) Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as square footage or estimates of time and effort incurred by personnel.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(l) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(m) Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For 2020 and 2019, the Foundation did not have any unrelated trade or business income.

The Foundation follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Foundation to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2020 or 2019. If incurred, interest and penalties associated with uncertain tax positions would be recorded in the period assessed as other operating expense. No interest or penalties have been assessed as of December 31, 2020. The Foundation's federal *Return of Organization Exempt from Income Tax* (Form 990) for the previous three years, 2017 through 2019, are subject to examination by the IRS, generally for three years after they were filed.

**(n) Subsequent Events**

The Foundation has evaluated subsequent events through April 21, 2021, the date the financial statements were available to be issued.

**(2) Liquidity and Availability of Financial Assets**

The following reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or when restricted by donors for purposes more limited than general expenditures. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

**(2) Liquidity and Availability of Financial Assets, Continued**

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,606,832	1,276,833
Investments	9,317,189	8,687,724
Accounts receivable, net	19,164	5,848
Contributions receivable	<u>2,656,798</u>	<u>131,260</u>
Total financial assets at year-end	<u>14,599,983</u>	<u>10,101,665</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with time or purpose restrictions other than general expenditures or to be spent in more than one year from the balance sheet date	(1,940,404)	(775,257)
Contributions received due in more than one year	(1,971,563)	(84,560)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year:		
Endowment net assets	<u>(8,196,218)</u>	<u>(7,491,990)</u>
Total amounts unavailable for general expenditures within one year	(12,108,185)	(8,351,807)
Amounts unavailable without Board approval		
Board designated endowments	<u>(974,208)</u>	<u>(980,196)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,517,590</u>	<u>769,662</u>

In addition to investment return and membership, book sales, and special event revenue, the Foundation is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$974,208 and \$980,196 as of December 31, 2020 and 2019, respectively. In the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities, the Foundation could draw upon its board designated endowment funds.

**(3) Cash and Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 667,306	503,382
Restricted cash		
Restricted Funds – DPL	401,969	556,720
A Story Still to Tell Capital Campaign	<u>1,537,557</u>	<u>216,731</u>
Total cash and cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 2,606,832</u>	<u>1,276,833</u>

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

**(4) Investments**

Investments are stated at fair value and consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 238,665	248,102
Mutual funds invested in fixed income securities	3,948,023	2,968,352
Equity securities and mutual funds invested in equity securities	<u>5,130,501</u>	<u>5,471,270</u>
Total investments	<u>\$ 9,317,189</u>	<u>8,687,724</u>

Investments held are recorded in the following net asset classes at December 31:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions	\$ 4,782,608	4,777,242
Unexpended earnings on endowments	3,161,314	2,478,336
Other net assets with donor restrictions	256,703	236,412
Board designated endowment fund	<u>974,208</u>	<u>980,196</u>
Endowment investments (note 7)	9,174,833	8,472,186
Net assets without donor restrictions	<u>142,356</u>	<u>215,538</u>
	<u>\$ 9,317,189</u>	<u>8,687,724</u>

The changes in investments are as follows:

	<u>2020</u>	<u>2019</u>
Balances at beginning of year	\$ 8,687,724	7,602,587
Reinvested interest and dividend income	177,009	206,802
Net realized and unrealized gains	759,225	1,165,923
Less investment expenses	<u>(62,135)</u>	<u>(59,813)</u>
Investment return	874,099	1,312,912
Additional investments	5,366	22,225
Distributions to DPL	<u>(250,000)</u>	<u>(250,000)</u>
Balances at end of year	<u>\$ 9,317,189</u>	<u>8,687,724</u>

In addition, the Foundation earned interest of \$4,224 in 2020 and \$9,218 in 2019 on its interest bearing cash accounts.

All of the Foundation's investments totaling \$9,317,189 and \$8,687,724 at December 31, 2020 and 2019, respectively, are considered to be Level 1 financial instruments. For Level 1 financial instruments, quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange, listed derivatives, cash and cash equivalents.



**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

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**(5) Contributions Receivable**

Contributions receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 685,235	46,700
One to five years	1,995,000	89,800
Less discount	<u>(23,437)</u>	<u>(5,240)</u>
	<u>\$ 2,656,798</u>	<u>131,260</u>

Management believes these to be fully collectible, and as such, no allowance for uncollectible receivables has been recorded.

**(6) Paycheck Protection Program Loan**

In April 2020, the Foundation received a \$101,214 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a refundable advance of a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. At such time that the loan is forgiven, the conditions will be considered met and the Foundation will recognize contribution revenue in the amount of the loan forgiveness.

In the case that the loan is not forgiven in its entirety, the outstanding balance is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of April 16, 2022. The loan is unsecured, and interest is charged at 1% per annum.

**(7) Net Asset with Donor Restrictions**

Net assets with donor restrictions at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Contributions restricted for specific purposes	\$ 1,940,404	775,257
Contributions receivable (note 5)	2,656,798	131,260
Unappropriated endowment earnings and other temporarily restricted funds held in endowment	3,413,610	2,714,748
Endowment subject to appropriation and expenditure	<u>4,782,608</u>	<u>4,777,242</u>
Total net assets with donor restrictions	<u>\$ 12,793,420</u>	<u>8,398,507</u>

During 2020 and 2019, net assets with donor restrictions of \$1,326,644 and \$1,791,008 were released from restrictions by incurring expenses satisfying purpose restrictions or the passage of time.

**(8) Endowments**

The Foundation's endowments consist of both donor-restricted and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

**(8) Endowments, Continued**

The Foundation's net assets with donor restriction consist of several individual endowment funds established with donor restrictions that the principal remain intact and the earnings be used for a variety of purposes. At December 31, these are comprised of the following:

	<u>2020</u>	<u>2019</u>
Endowments supporting Western History	\$ 3,648,961	3,648,961
Library Capital Campaign Endowment	426,568	426,568
Other donor endowments	<u>707,079</u>	<u>701,713</u>
	<u>\$ 4,782,608</u>	<u>4,777,242</u>

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity the original value of the gifts donated for the endowment. The unspent accumulated earnings of the donor-restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the endowment fund and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other endowment fund resources.
- (7) The investment policies of the endowment fund.

The Foundation's endowment net assets consist of the following at December 31, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	8,196,218	8,196,218
Board designated endowment funds	<u>974,208</u>	<u>-</u>	<u>974,208</u>
Total endowment net assets	<u>\$ 974,208</u>	<u>8,196,218</u>	<u>9,170,426</u>

The Foundation's endowment net assets consist of the following as of December 31, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	7,491,990	7,491,990
Board designated endowment funds	<u>980,196</u>	<u>-</u>	<u>980,196</u>
Total endowment net assets	<u>\$ 980,196</u>	<u>7,491,990</u>	<u>8,472,186</u>

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

**(8) Endowments, Continued**

Following are the changes in the endowment net assets for the years ended December 31, 2019 and 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2019	\$ 860,679	6,572,825	7,433,504
Gifts	225	11,500	11,725
Investment return			
Investment income, net of expense	17,027	129,963	146,990
Net depreciation (realized and unrealized)	<u>131,224</u>	<u>998,743</u>	<u>1,129,967</u>
Total investment return	148,251	1,128,706	1,276,957
Appropriation of endowment assets for expenditure	<u>(28,959)</u>	<u>(221,041)</u>	<u>(250,000)</u>
Endowment net assets at December 31, 2019	980,196	7,491,990	8,472,186
Gifts/transfers	(55,746)	61,112	5,366
Investment return			
Investment income, net of expense	8,879	105,995	114,874
Net appreciation (realized and unrealized)	<u>68,285</u>	<u>759,715</u>	<u>828,000</u>
Total investment return	77,164	865,710	942,874
Appropriation of endowment assets for expenditure	<u>(27,406)</u>	<u>(222,594)</u>	<u>(250,000)</u>
Endowment net assets at December 31, 2020	\$ <u>974,208</u>	<u>8,196,218</u>	<u>9,170,426</u>

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2020.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board-designated funds. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution to the Library that supports current needs and provides for growth in assets and income over time. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that preserves the purchasing power of the endowment as well as providing a consistent distribution to the Library. The rate of return has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the investment portfolio. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

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**(8) Endowments, Continued**

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation has a policy of appropriating for distribution each year a percentage, up to 6.5% of the three-year December 31 rolling average of the unitized market value of the investments. This policy applies to funds without and with donor restrictions unless those funds have their own distribution requirements. The Foundation's objective is 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. In determining the annual grant to the Library, the Board may make an exception to the distribution policy.

**(9) Transactions with Denver Public Library**

Distributions

Distributions from the Foundation to the Library during 2020 and 2019 were funded from the following sources:

	<u>2020</u>	<u>2019</u>
Restricted Funds - DPL	\$ 714,710	1,565,225
Endowment fund earnings	250,000	250,000
Other unrestricted sources	<u>334,325</u>	<u>268,051</u>
Total distributions	1,299,035	2,083,276
Bookshop	15,878	44,322
Other Library program assistance	<u>393,153</u>	<u>46,814</u>
	<u>\$ 1,708,066</u>	<u>2,174,412</u>

Agreement

During 2019, the Foundation and the Library finalized an agreement, which formalized certain responsibilities and expectations of the relationship and dealings with each other. The agreement terminates December 31, 2029, but can be terminated earlier by either party with six months notice.

In July 2016 the Council of the City and County of Denver approved an ordinance allowing the Library to donate used books throughout the year to the Foundation for the purpose of selling used books to the public. Therefore, the Foundation no longer reimburses the Library for net used book sales attributable to decommissioned library books and no funds are being held on behalf of the Library at December 31, 2020.

**(10) Employee Retirement Plan**

The Foundation has a 403(b) defined contribution plan under which it will match 50% of the pre-tax contributions of eligible employees up to six percent of salary. Matching funds are fully vested after two years. Eligible employees have completed six months of service and attained the age of 21 years. For 2020 and 2019, the Foundation's matching contribution totaled \$13,608 and \$9,519, respectively.

**Denver Public Library Friends Foundation**  
**Notes to Financial Statements, Continued**

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**(11) Subsequent Events**

Subsequent to year-end, on March 19, 2021, the Foundation began the application process for forgiveness for the Paycheck Protection Program authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The \$101,214 in loan proceeds which were received on April 22, 2020 must be used within eight weeks after loan issuance and may only be used for purposes that are permissible under the program, including payroll costs. If the Foundation meets the program requirements, the loan may be forgiven after eight weeks.

**Denver Public Library Friends Foundation**  
**Schedule of Changes in Net Assets**  
**Year Ended December 31, 2020**

Net Asset Category	Balance January 1, 2020	Support and Revenue	Expenses and Interfund Transfers	Balance December 31, 2020
<b>Perpetuity</b>				
Western History Endowments	\$ 3,648,961	—	—	3,648,961
Capital Campaign—Western History Acquisitions	426,568	—	—	426,568
Gravelle Endowment	453,084	—	—	453,084
Jordan Endowment	48,198	—	—	48,198
Dolmas Endowment	25,275	—	—	25,275
Rickey Endowment	25,000	—	—	25,000
Massa Endowment	25,000	—	—	25,000
Benson Endowment	47,000	5,366	—	52,366
Latino Awards Endowment	24,300	—	—	24,300
Literary Club	8,082	—	—	8,082
Scott Memorial	6,127	—	—	6,127
Pershing Memorial	5,149	—	—	5,149
Ehrlich Endowment	5,000	—	—	5,000
Sabin Memorial	2,483	—	—	2,483
Other endowment funds	27,015	—	—	27,015
Total net assets held in perpetuity	<u>4,777,242</u>	<u>5,366</u>	<u>—</u>	<u>4,782,608</u>
<b>Purpose</b>				
<b>Endowment Fund</b>				
Undistributed endowment earnings	2,478,336	894,189	(215,618)	3,156,907
Smiley Branch Collection	109,047	12,577	(3,218)	118,406
Classen Western History	90,716	10,463	(2,677)	98,502
Wilkin Memorial	36,649	4,227	(1,081)	39,795
Total Endowment Fund	<u>2,714,748</u>	<u>921,456</u>	<u>(222,594)</u>	<u>3,413,610</u>
A Story Still to Tell	328,798	4,241,659	(375,000)	4,195,457
Staff Relief Fund	—	14,340	(14,340)	—
<b>Restricted Funds - DPL</b>				
10th Mt. Division and Other Western History	75,582	79,656	(103,745)	51,493
Branches and departments	447,132	340,175	(455,807)	331,500
Tu Biblioteca	8,000	59,102	(67,000)	102
After School, Summer Reading, Read Aloud	47,005	59,803	(88,158)	18,650
Total Restricted Funds - DPL	<u>577,719</u>	<u>538,736</u>	<u>(714,710)</u>	<u>401,745</u>
Total net assets with donor restrictions (purpose)	<u>3,621,265</u>	<u>5,716,191</u>	<u>(1,326,644)</u>	<u>8,010,812</u>
Total net assets with donor restrictions	<u>8,398,507</u>	<u>5,721,557</u>	<u>(1,326,644)</u>	<u>12,793,420</u>
<b>Without Donor Restrictions</b>				
<b>Board Designated</b>				
General Endowment	980,196	21,418	(27,406)	974,208
<b>Undesignated</b>				
Other without donor restriction	679,896	2,500,477	(2,493,690)	686,683
Total undesignated	<u>679,896</u>	<u>2,500,477</u>	<u>(2,493,690)</u>	<u>686,683</u>
Total net assets	<u>\$ 10,058,599</u>	<u>8,243,452</u>	<u>(3,847,740)</u>	<u>14,454,311</u>

See the accompanying independent auditor's report.