

Denver Public Library Friends Foundation

Financial Statements and Supplemental Information

December 31, 2021 and 2020

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Directors Denver Public Library Friends Foundation

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Public Library Friends Foundation as of December 31, 2021 and 2020, and the changes in 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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.

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

In performing an audit in accordance with generally accepted auditing standards, 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 Foundation'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 Foundation'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Changes in Net Assets 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.

Kundinger, Corder & Montoya, P.C.

April 20, 2022

Denver Public Library Friends Foundation
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents (note 3)		
Operating	\$ 833,849	667,306
Restricted Funds–DPL	490,428	401,969
A Story Still to Tell	98,305	1,537,557
Contributions receivable and other assets	642,975	27,072
A Story Still to Tell contributions receivable (note 5)	1,878,936	2,656,798
Investments (note 4)	10,008,587	9,317,189
Equipment, net of accumulated depreciation of \$44,750 in 2021 and \$44,178 in 2020	460	967
Total assets	\$ 13,953,540	14,608,858
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 72,429	53,333
Paycheck Protection Program loan (note 6)	–	101,214
Note payable (note 7)	660,000	–
Deferred revenue	15,000	–
Total liabilities	747,429	154,547
Net assets (notes 8 and 9)		
Net assets without donor restrictions		
Board designated endowment fund	1,039,389	974,208
Undesignated	942,215	686,683
Total net assets without donor restrictions	1,981,604	1,660,891
Net assets with donor restrictions	11,224,507	12,793,420
Total net assets	13,206,111	14,454,311
Commitments (notes 10 and 11)		
Total liabilities and net assets	\$ 13,953,540	14,608,858

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statement of Activities
Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue, Gains and Support			
Contributions, bequests and grants	\$ 763,846	2,482,927	3,246,773
Memberships	183,272	–	183,272
Donated services and facilities	73,864	–	73,864
Booklovers Ball revenue and support	421,978	–	421,978
Booklovers Ball direct expenses	(102,828)	–	(102,828)
Book sales and other fundraising events	264,204	–	264,204
Direct expenses of book sales and other fundraising events	(108)	–	(108)
Investment return (note 4)	120,167	865,475	985,642
Net assets released from restrictions (note 8)			
Restricted transfers to Denver Public Library	1,317,315	(1,317,315)	–
Central Library transfers	3,600,000	(3,600,000)	–
Total revenue, gains and support	<u>6,641,710</u>	<u>(1,568,913)</u>	<u>5,072,797</u>
Expenses			
Program services			
Distributions to Denver Public Library	1,665,621	–	1,665,621
Distributions for Central Library renovations	3,635,945	–	3,635,945
Bookshop	155,095	–	155,095
Total program services	<u>5,456,661</u>	<u>–</u>	<u>5,456,661</u>
Supporting services			
General and administrative	255,274	–	255,274
Fund raising	609,062	–	609,062
Total supporting services	<u>864,336</u>	<u>–</u>	<u>864,336</u>
Total expenses	<u>6,320,997</u>	<u>–</u>	<u>6,320,997</u>
Change in net assets	320,713	(1,568,913)	(1,248,200)
Net assets at beginning of year	<u>1,660,891</u>	<u>12,793,420</u>	<u>14,454,311</u>
Net assets at end of year	<u>\$ 1,981,604</u>	<u>11,224,507</u>	<u>13,206,111</u>

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
Revenue, Gains and Support			
Contributions, bequests and grants	\$ 578,496	4,800,101	5,378,597
Memberships	164,542	–	164,542
Donated services	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 8)			
Restricted transfers to Denver Public Library	937,304	(937,304)	–
Central Library transfers	389,340	(389,340)	–
	<u>2,521,895</u>	<u>4,394,913</u>	<u>6,916,808</u>
Expenses			
Program services			
Distributions to Denver Public Library	1,299,035	–	1,299,035
Distributions for Central Library renovations	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>
Change in net assets	799	4,394,913	4,395,712
Net assets at beginning of year	<u>1,660,092</u>	<u>8,398,507</u>	<u>10,058,599</u>
Net assets at end of year	<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 Functional Expenses
Year Ended December 31, 2021

	Total program services	General and admin- istrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	\$ 52,761	121,884	368,923	490,807	543,568
Payroll taxes	5,337	9,605	28,722	38,327	43,664
Employee benefits	7,733	17,503	51,314	68,817	76,550
Occupancy	17,520	4,184	11,816	16,000	33,520
Technology/IT	(22)	1,315	16,103	17,418	17,396
Supplies	9,151	3,759	4,877	8,636	17,787
Advertising and promotion	359	49,039	62,077	111,116	111,475
Postage	32,600	1,113	5,683	6,796	39,396
Conferences and meetings	3,276	3,070	11,568	14,638	17,914
Travel	-	1,663	1,725	3,388	3,388
Professional fees	144,392	33,026	14,755	47,781	192,173
Special event expenses	-	-	102,936	102,936	102,936
Investment fees	-	69,204	-	69,204	69,204
Insurance	-	3,212	-	3,212	3,212
Distributions to the Library	5,146,931	-	-	-	5,146,931
Book shop activities	58	-	108	108	166
Fund raising	-	-	2,434	2,434	2,434
Depreciation	-	-	572	572	572
Miscellaneous	36,565	5,901	28,385	34,286	70,851
Total functional expenses	5,456,661	324,478	711,998	1,036,476	6,493,137
Less expenses included with revenue in the statement of activities					
Special event expenses	-	-	(102,936)	(102,936)	(102,936)
Investment fees	-	(69,204)	-	(69,204)	(69,204)
Total expenses	\$ 5,456,661	255,274	609,062	864,336	6,320,997

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
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
Total functional expenses	1,708,066	304,342	668,785	973,127	2,681,193
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)
Total expenses	\$ 1,708,066	242,207	570,823	813,030	2,521,096

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Contributions, bequests and grants	\$ 3,915,936	2,847,693
Memberships	183,272	164,542
Gala, book sales and other fundraising events	70,279	441,943
Interest and dividend income	176,308	181,232
Distributions to Denver Public Library	(5,301,566)	(1,299,035)
Cash paid to suppliers and employees	<u>(1,083,039)</u>	<u>(1,319,178)</u>
Net cash provided by (used in) operating activities	<u>(2,038,810)</u>	<u>1,017,197</u>
Cash flows of investing activities		
Sales of investments	369,204	388,597
Purchases of investments and reinvested income	<u>(182,064)</u>	<u>(182,375)</u>
Net cash provided by investing activities	<u>187,140</u>	<u>206,222</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	–	101,214
Proceeds from line of credit	660,000	–
Payments for purchases of property and equipment	(65)	–
Proceeds from contributions permanently restricted for endowment	<u>7,485</u>	<u>5,366</u>
Net cash provided by financing activities	<u>667,420</u>	<u>106,580</u>
Net increase (decrease) in cash and cash equivalents	(1,184,250)	1,329,999
Cash, cash equivalents, and restricted cash at beginning of year	<u>2,606,832</u>	<u>1,276,833</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,422,582</u>	<u>2,606,832</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ (1,248,200)	4,395,712
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	(878,538)	(835,687)
Forgiveness of paycheck protection program loan	(101,214)	–
Depreciation	572	572
(Increase) decrease in contributions receivable	777,862	(2,525,538)
Increase in contributions receivable and other assets	(615,903)	(21,224)
Increase in accounts payable and accrued expenses	19,096	18,728
(Decrease) increase in deferred revenue	15,000	(10,000)
Contributions permanently restricted for endowment	<u>(7,485)</u>	<u>(5,366)</u>
Net cash provided by (used in) operating activities	<u>\$ (2,038,810)</u>	<u>1,017,197</u>

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

(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.

(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.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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.

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.

At December 31, 2021 and 2020, all of the Foundation's investments were Level 1 investments.

(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.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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.

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, 2021 and 2020, 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 \$73,864 and \$53,680 for 2021 and 2020, respectively. The expense has been recorded as general and administrative costs of \$6,182 and \$7,169, fund raising costs of \$17,457 and \$22,899, and programs costs of \$50,225 and \$23,612, in 2021 and 2020, respectively.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Donated Services and Use of Facilities, Continued

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.

(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 2021 and 2020, 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, 2021 or 2020. The Foundation's federal *Return of Organization Exempt from Income Tax* (Form 990) for the previous three years, 2018 through 2020, 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 20, 2022, the date the financial statements were available to be issued.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,422,582	2,606,832
Investments	10,008,587	9,317,189
Accounts receivable, net	638,902	19,164
Contributions receivable	<u>1,878,936</u>	<u>2,656,798</u>
Total financial assets at year-end	<u>13,949,007</u>	<u>14,599,983</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	(546,327)	(1,940,404)
Contributions received due in more than one year	(1,229,436)	(1,971,563)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year:		
Endowment net assets	<u>(8,798,794)</u>	<u>(8,196,218)</u>
Total amounts unavailable for general expenditures within one year	(10,574,557)	(12,108,185)
Amounts unavailable without Board approval		
Board designated endowments	<u>(1,039,389)</u>	<u>(974,208)</u>
Financial assets available for general expenditures within one year	\$ <u>2,335,061</u>	<u>1,517,590</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 \$1,039,389 and \$974,208 as of December 31, 2021 and 2020, 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.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 833,849	667,306
Restricted cash		
Restricted Funds – DPL	490,428	401,969
A Story Still to Tell Capital Campaign	<u>98,305</u>	<u>1,537,557</u>
Total cash and cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 1,422,582</u>	<u>2,606,832</u>

(4) Investments

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,362,084	238,665
Mutual funds invested in fixed income securities	351,500	3,948,023
Equity securities and mutual funds invested in equity securities	<u>6,295,003</u>	<u>5,130,501</u>
Total investments	<u>\$ 10,008,587</u>	<u>9,317,189</u>

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

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions	\$ 4,790,093	4,782,608
Unexpended earnings on endowments	3,733,387	3,161,314
Other net assets with donor restrictions	275,314	256,703
Board designated endowment fund	<u>1,039,389</u>	<u>974,208</u>
Endowment investments (note 8)	9,838,183	9,174,833
Net assets without donor restrictions	<u>170,404</u>	<u>142,356</u>
	<u>\$ 10,008,587</u>	<u>9,317,189</u>

The changes in investments are as follows:

	<u>2021</u>	<u>2020</u>
Balances at beginning of year	\$ 9,317,189	8,687,724
Reinvested interest and dividend income	174,579	177,009
Net realized and unrealized gains	878,538	759,225
Less investment expenses	<u>(69,204)</u>	<u>(62,135)</u>
Investment return	983,913	874,099
Additional investments	7,485	5,366
Distributions to DPL	<u>(300,000)</u>	<u>(250,000)</u>
Balances at end of year	<u>\$ 10,008,587</u>	<u>9,317,189</u>

In addition, the Foundation earned interest of \$1,729 in 2021 and \$4,224 in 2020 on its interest bearing cash accounts.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(4) Investments, Continued

All of the Foundation's investments totaling \$10,008,587 and \$9,317,189 at December 31, 2021 and 2020, 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.

(5) A Story Still to Tell Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 649,500	685,235
One to five years	1,268,900	1,995,000
Less discount	<u>(39,464)</u>	<u>(23,437)</u>
	<u>\$ 1,878,936</u>	<u>2,656,798</u>

Management believes these to be fully collectible, and as such, no allowance for uncollectible receivables has been recorded. These amounts relate to A Story Still to Tell capital campaign in 2021 and 2020.

(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). The Foundation recognized contribution revenue of \$101,214 during the year as a result of incurring eligible expenses during 2020. The Foundation met the requirements and received forgiveness of the loan on May 5, 2021.

(7) Note Payable

On October 22, 2021, the Foundation entered into a loan agreement with a bank for \$1,700,000 for a bridge loan to cover the gap that exists from collecting A Story Still To Tell campaign pledge payments over five years and paying contractors during the construction period of renovating the Library. Quarterly payments of interest at the daily Bloomberg Short-term Bank Yield (BSBY) rate plus 2% began December 1, 2021. The loan matures on December 1, 2024, at which time the principal and any accrued interest are due. At December 31, 2021 the balance of the loan was \$660,000.

(8) Net Asset with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Contributions restricted for specific purposes	\$ 546,327	1,940,404
Contributions receivable (note 5)	1,878,936	2,656,798
Unappropriated endowment earnings and other temporarily restricted funds held in endowment	4,008,701	3,413,610
Endowment subject to appropriation and expenditure	<u>4,790,093</u>	<u>4,782,608</u>
Total net assets with donor restrictions	<u>\$ 11,224,057</u>	<u>12,793,420</u>

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(8) Net Asset with Donor Restrictions, Continued

During 2021 and 2020, net assets with donor restrictions of \$4,917,315 and \$1,326,644 were released from restrictions by incurring expenses satisfying purpose restrictions or the passage of time.

(9) Endowments

The Foundation's endowments consist of both donor-restricted and board designated endowment funds. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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>2021</u>	<u>2020</u>
Endowments supporting Western History	\$ 3,648,961	3,648,961
Library Capital Campaign Endowment	426,568	426,568
Other donor endowments	<u>714,564</u>	<u>707,079</u>
	<u>\$ 4,790,093</u>	<u>4,782,608</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, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	8,798,794	8,798,794
Board designated endowment funds	<u>1,039,389</u>	<u>—</u>	<u>1,039,389</u>
Total endowment net assets	<u>\$ 1,039,389</u>	<u>8,798,794</u>	<u>9,838,183</u>

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(9) Endowments, Continued

The Foundation's endowment net assets consist of the following as of 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>

Following are the changes in the endowment net assets for the years ended December 31, 2020 and 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2020	\$ 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	974,208	8,196,218	9,170,426
Gifts	—	7,485	7,485
Investment return			
Investment income, net of expense	10,403	94,972	105,375
Net appreciation (realized and unrealized)	<u>84,394</u>	<u>770,503</u>	<u>854,897</u>
Total investment return	94,797	865,475	960,272
Appropriation of endowment assets for expenditure	<u>(29,616)</u>	<u>(270,384)</u>	<u>(300,000)</u>
Endowment net assets at December 31, 2021	<u>\$ 1,039,389</u>	<u>8,798,794</u>	<u>9,838,183</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, 2021.

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.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(9) Endowments, Continued

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.

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.

(10) Transactions with Denver Public Library

Distributions

Distributions from the Foundation to the Library during 2021 and 2020 were funded from the following sources:

	<u>2021</u>	<u>2020</u>
Restricted Funds–DPL	\$ 1,046,931	714,710
Endowment fund earnings	300,000	250,000
Other unrestricted sources	<u>318,690</u>	<u>334,325</u>
Total distributions	1,665,621	1,299,035
Bookshop	155,095	15,878
A Story Still to Tell distributions	3,600,000	375,000
Other Library program assistance	<u>35,945</u>	<u>18,153</u>
	<u>\$ 5,456,661</u>	<u>1,708,066</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, 2021 and 2020.

(11) 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 2021 and 2020, the Foundation's matching contribution totaled \$15,320 and \$13,608, respectively.

Denver Public Library Friends Foundation
Schedule of Changes in Net Assets
Year Ended December 31, 2021

Net Asset Category	Balance January 1, 2021	Support and Revenue	Expenses and Interfund Transfers	Balance December 31, 2021
Perpetuity				
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	52,366	6,345	–	58,711
Latino Awards Endowment	24,300	–	–	24,300
Literary Club	8,082	1,140	–	9,222
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>4,782,608</u>	<u>7,485</u>	<u>–</u>	<u>4,790,093</u>
Purpose				
Endowment Fund				
Undistributed endowment earnings	3,156,906	838,372	(261,916)	3,733,362
Smiley Branch Collection	118,407	12,502	(3,906)	127,003
Classen Western History	98,502	10,400	(3,249)	105,653
Wilkin Memorial	39,795	4,201	(1,313)	42,683
Total Endowment Fund	<u>3,413,610</u>	<u>865,475</u>	<u>(270,384)</u>	<u>4,008,701</u>
A Story Still to Tell	4,195,457	718,572	(3,600,000)	1,314,029
Staff Relief Fund	–	3,559	–	3,559
Restricted Funds–DPL				
10th Mt. Division and Other Western History	51,493	187,515	(37,773)	201,235
Branches and departments	331,500	607,190	(498,075)	440,615
Tu Biblioteca	102	550,000	(275,000)	275,102
After School, Summer Reading, Read Aloud	18,650	408,606	(236,083)	191,173
Total Restricted Funds–DPL	<u>401,745</u>	<u>1,753,311</u>	<u>(1,046,931)</u>	<u>1,108,125</u>
Total net assets with donor restrictions (purpose)	<u>8,010,812</u>	<u>3,340,917</u>	<u>(4,917,315)</u>	<u>6,434,414</u>
Total net assets with donor restrictions	<u>12,793,420</u>	<u>3,348,402</u>	<u>(4,917,315)</u>	<u>11,224,507</u>
Without Donor Restrictions				
Board Designated				
General Endowment	974,208	94,797	(29,616)	1,039,389
Undesignated				
Other without donor restriction	686,683	6,546,913	(6,291,381)	942,215
Total undesignated	<u>686,683</u>	<u>6,546,913</u>	<u>(6,291,381)</u>	<u>942,215</u>
Total net assets	<u>\$ 14,454,311</u>	<u>9,990,112</u>	<u>(11,238,312)</u>	<u>13,206,111</u>

See the accompanying independent auditor's report.