

Denver Public Library Friends Foundation

Financial Statements and Supplemental Information

December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Trustees 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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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, which 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, which 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 GAAS. 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 23, 2025

Denver Public Library Friends Foundation
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents (note 3)		
Operating	\$ 1,087,000	986,693
Restricted Funds–DPL	400,493	517,997
A Story Still to Tell	–	3,508
Contributions receivable	125,205	132,353
A Story Still to Tell contributions receivable (note 5)	2,150	633,278
Investments (note 4)	9,713,333	8,719,387
Other assets	2,767	–
Equipment, net of accumulated depreciation of \$47,080 in 2024 and \$46,400 in 2023	170	850
Total assets	\$ 11,331,118	10,994,066
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 51,878	78,690
Note payable (note 6)	–	135,000
Deferred revenue	20,000	–
Total liabilities	71,878	213,690
Net assets (notes 8 and 9)		
Net assets without donor restrictions		
Board designated endowment fund	908,877	556,889
Undesignated	1,163,216	1,650,523
Total net assets without donor restrictions	2,072,093	2,207,412
Net assets with donor restrictions	9,187,147	8,572,964
Total net assets	11,259,240	10,780,376
Commitments (notes 10 and 11)		
Total liabilities and net assets	\$ 11,331,118	10,994,066

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statement of Activities
Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue, Gains and Support			
Contributions, bequests and grants	\$ 665,948	1,095,651	1,761,599
Memberships	146,545	–	146,545
In-kind donations (note 7)	54,578	–	54,578
Booklovers Ball revenue and support	404,871	–	404,871
Booklovers Ball direct expenses	(169,918)	–	(169,918)
Book sales and other fundraising events	238,993	–	238,993
Direct expenses of book sales and other fundraising events	(6,192)	–	(6,192)
Investment return (note 4)	154,549	873,326	1,027,875
Net assets released from restrictions (note 8)			
Restricted transfers to Denver Public Library	1,336,797	(1,336,797)	–
Central Library transfers	17,997	(17,997)	–
Total revenue, gains and support	<u>2,844,168</u>	<u>614,183</u>	<u>3,458,351</u>
Expenses			
Program services			
Distributions to and on behalf of Denver Public Library	1,857,553	–	1,857,553
Distributions for Central Library renovations	8,838	–	8,838
Bookshop	194,333	–	194,333
Total program services	<u>2,060,724</u>	<u>–</u>	<u>2,060,724</u>
Supporting services			
General and administrative	285,847	–	285,847
Fund raising	632,916	–	632,916
Total supporting services	<u>918,763</u>	<u>–</u>	<u>918,763</u>
Total expenses	<u>2,979,487</u>	<u>–</u>	<u>2,979,487</u>
Change in net assets	(135,319)	614,183	478,864
Net assets at beginning of year	<u>2,207,412</u>	<u>8,572,964</u>	<u>10,780,376</u>
Net assets at end of year	<u>\$ 2,072,093</u>	<u>9,187,147</u>	<u>11,259,240</u>

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statement of Activities
Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue, Gains and Support			
Contributions, bequests and grants	\$ 657,503	243,556	901,059
Memberships	155,933	–	155,933
In-kind donations (note 7)	54,578	–	54,578
Booklovers Ball revenue and support	372,907	–	372,907
Booklovers Ball direct expenses	(163,977)	–	(163,977)
Book sales and other fundraising events	276,381	–	276,381
Direct expenses of book sales and other fundraising events	(6,417)	–	(6,417)
Investment return (note 4)	153,449	1,058,462	1,211,911
Net assets released from restrictions (note 8)			
Restricted transfers to Denver Public Library	817,576	(817,576)	–
Central Library transfers	48,924	(48,924)	–
	<u>2,366,857</u>	<u>435,518</u>	<u>2,802,375</u>
Expenses			
Program services			
Distributions to and on behalf of Denver Public Library	928,017	–	928,017
Distributions for Central Library renovations	37,583	–	37,583
Bookshop	191,107	–	191,107
	<u>1,156,707</u>	<u>–</u>	<u>1,156,707</u>
Supporting services			
General and administrative	243,692	–	243,692
Fund raising	572,279	–	572,279
	<u>815,971</u>	<u>–</u>	<u>815,971</u>
	<u>1,972,678</u>	<u>–</u>	<u>1,972,678</u>
Change in net assets	394,179	435,518	829,697
Net assets at beginning of year	<u>1,813,233</u>	<u>8,137,446</u>	<u>9,950,679</u>
Net assets at end of year	<u>\$ 2,207,412</u>	<u>8,572,964</u>	<u>10,780,376</u>

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statement of Functional Expenses
Year Ended December 31, 2024

	Total program services	General and admin- istrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	\$ 157,387	149,629	373,740	523,369	680,756
Payroll taxes	15,079	14,131	32,203	46,334	61,413
Employee benefits	22,480	31,944	44,080	76,024	98,504
Technology/IT	-	383	23,996	24,379	24,379
Supplies	22,547	333	7,328	7,661	30,208
Advertising and promotion	3,549	2,836	70,602	73,438	76,987
Merchant fees	34,056	593	12,462	13,055	47,111
Postage	-	-	98	98	98
Conferences and meetings	3,262	2,062	36,879	38,941	42,203
Travel	12,440	124	5,575	5,699	18,139
Professional fees	13,114	62,603	4,797	67,400	80,514
Special event expenses	-	-	176,110	176,110	176,110
Investment fees	-	60,426	-	60,426	60,426
Insurance	-	3,548	-	3,548	3,548
Distributions to and on behalf of the Library	1,736,797	-	-	-	1,736,797
Fund raising	-	-	8,675	8,675	8,675
Depreciation	-	680	-	680	680
Donated goods and services	36,635	5,546	12,397	17,943	54,578
Interest	3,278	-	-	-	3,278
Miscellaneous	100	11,435	84	11,519	11,619
Total functional expenses	2,060,724	346,273	809,026	1,155,299	3,216,023
Less expenses included with revenue in the statement of activities					
Special event expenses	-	-	(176,110)	(176,110)	(176,110)
Investment fees	-	(60,426)	-	(60,426)	(60,426)
Total expenses	\$ 2,060,724	285,847	632,916	918,763	2,979,487

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statement of Functional Expenses
Year Ended December 31, 2023

	Total program services	General and admin- istrative	Fund raising	Total supporting services	Total expenses
Salaries and wages	\$ 168,407	157,426	373,275	530,701	699,108
Payroll taxes	15,021	11,820	30,180	42,000	57,021
Employee benefits	19,518	19,530	29,588	49,118	68,636
Technology/IT	–	381	16,704	17,085	17,085
Supplies	8,109	1,115	2,531	3,646	11,755
Advertising and promotion	141	3,227	40,092	43,319	43,460
Merchant fees	38,882	736	12,911	13,647	52,529
Postage	–	77	63	140	140
Conferences and meetings	1,580	2,233	36,206	38,439	40,019
Travel	11,409	2,295	763	3,058	14,467
Professional fees	5,336	27,727	4,631	32,358	37,694
Special event expenses	–	–	163,977	163,977	163,977
Investment fees	–	53,065	–	53,065	53,065
Insurance	–	3,181	–	3,181	3,181
Distributions to and on behalf of the Library	814,964	–	–	–	814,964
Book shop activities	–	–	6,417	6,417	6,417
Fund raising	–	–	4,297	4,297	4,297
Depreciation	–	680	–	680	680
Donated goods and services	35,757	5,283	21,038	26,321	62,078
Interest	37,583	–	–	–	37,583
Miscellaneous	–	7,981	–	7,981	7,981
Total functional expenses	1,156,707	296,757	742,673	1,039,430	2,196,137
Less expenses included with revenue in the statement of activities					
Special event expenses	–	–	(170,394)	(170,394)	(170,394)
Investment fees	–	(53,065)	–	(53,065)	(53,065)
Total expenses	\$ 1,156,707	243,692	572,279	815,971	1,972,678

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Contributions, bequests and grants	\$ 2,383,108	1,977,056
Memberships	146,545	155,933
Booklovers Ball, book sales and other fundraising events	643,864	649,288
Interest and dividend income	255,408	206,994
Distributions to and on behalf of Denver Public Library	(1,866,391)	(965,600)
Cash paid to suppliers and employees	(1,301,186)	(1,162,350)
Net cash provided by operating activities	261,348	861,321
Cash flows of investing activities		
Sales of investments	331,426	624,165
Purchases of investments and reinvested income	(492,478)	(193,938)
Net cash (used in) provided by investing activities	(161,052)	430,227
Cash flows from financing activities		
Payments on line of credit	(135,000)	(1,125,000)
Proceeds from contributions permanently restricted for endowment	14,000	15,500
Net cash used in financing activities	(121,000)	(1,109,500)
Net (decrease) increase in cash and cash equivalents	(20,704)	182,048
Cash, cash equivalents, and restricted cash at beginning of year	1,508,197	1,326,149
Cash, cash equivalents, and restricted cash at end of year	\$ 1,487,493	1,508,197
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 478,864	829,697
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	(832,893)	(1,057,982)
Depreciation	680	680
Decrease in contributions receivable	631,128	613,366
Decrease in contributions receivable and other assets	4,381	478,131
(Decrease) increase in accounts payable and accrued expenses	(26,812)	27,929
Increase (decrease) in deferred revenue	20,000	(15,000)
Contributions permanently restricted for endowment	(14,000)	(15,500)
Net cash provided by operating activities	\$ 261,348	861,321

See the accompanying notes to the financial statements.

Denver Public Library Friends Foundation
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

(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 (GAAP) 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. The Foundation does not currently hold any investments valued at level 2 or 3.

(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, 2024 and 2023, 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 \$54,578 for 2024 and 2023. The expense has been recorded as general and administrative costs of \$5,546 and \$5,283, fund raising costs of \$12,397 and \$11,826, and programs costs of \$36,635 and \$37,469, in 2024 and 2023, respectively. See also note 7.

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 GAAP 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 2024 and 2023, 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, 2024 or 2023. The Foundation's federal *Return of Organization Exempt from Income Tax* (Form 990) for the previous three years, 2021 through 2023, 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 23, 2025, the date the financial statements were available to be issued.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the previously reported net assets.

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, 2024 and 2023, 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 investment 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>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,487,493	1,508,198
Investments	9,713,333	8,719,387
Contributions receivable	<u>127,355</u>	<u>765,631</u>
Total financial assets at year-end	<u>11,328,181</u>	<u>10,993,216</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	(638,350)	(642,543)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year:		
Endowment net assets	<u>(8,546,647)</u>	<u>(7,930,421)</u>
Total amounts unavailable for general expenditures within one year	(9,184,997)	(8,572,964)
Amounts unavailable without Board approval		
Board designated endowments	<u>(908,877)</u>	<u>(556,889)</u>
Financial assets available for general expenditures within one year	\$ <u>1,234,307</u>	<u>1,863,363</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 \$908,877 and \$556,889 as of December 31, 2024 and 2023, 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,087,000	986,693
Restricted cash		
Restricted Funds – DPL	400,493	517,997
A Story Still to Tell Capital Campaign	<u>–</u>	<u>3,508</u>
Total cash and cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 1,487,493</u>	<u>1,508,198</u>

(4) Investments

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 69,349	65,833
Mutual funds invested in fixed income securities	3,084,358	2,927,896
Real asset securities	397,856	393,781
Alternative investments	92,040	–
Equity securities and mutual funds invested in equity securities	<u>6,069,730</u>	<u>5,331,877</u>
Total investments	<u>\$ 9,713,333</u>	<u>8,719,387</u>

The Foundation’s investments are measured and reported at fair value and are classified as follows at December 31, 2024:

	<u>Fair Value</u>	<u>Assets Measured at NAV*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 69,349	–	69,349	–	–
Mutual funds invested in fixed income securities	3,084,358	–	3,084,358	–	–
Real asset securities	397,856	–	397,856	–	–
Alternative investments	92,040	92,040	–	–	–
Equity securities and mutual funds invested in equity securities	<u>6,069,730</u>	<u>–</u>	<u>6,069,730</u>	<u>–</u>	<u>–</u>
Total investments	<u>\$ 9,713,333</u>	<u>92,040</u>	<u>9,621,293</u>	<u>–</u>	<u>–</u>

* Certain investments that are measured at fair value using the net asset value per share practical expedient (or its equivalent), which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(4) Investments, Continued

The following table summarizes the significant information related to investments measured at NAV as of December 31, 2024:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
AB Private Credit Investors Corporation	\$ 76,968	\$ –	(a)	(a)
AB Commercial Real Estate Private Debt Fund, LLC Class 2A	\$ 15,072	–	(b)	(b)

(a) This investment fund is an evergreen fund that seeks to take advantage of disintermediation in the middle market lending space due to increased banking regulations. This investment fund targets primary-issue middle market credit opportunities that are directly sourced and privately negotiated. Redemption is permitted after the three-year locked up from the commitment close date, followed by quarterly liquidity thereafter. The original commitment date was December 29, 2023, meaning the fund is available to redeem on December 29, 2026. Withdrawn amounts will be available within 45 days after the valuation date (quarter-end).

(b) This investment fund emphasizes secured lending by focusing on first lien, uni-tranche and second lien loans, while considering mezzanine, structured preferred stock and non-control equity co-investment opportunities. Redemption is permitted after the three-year locked up from the commitment close date, followed by quarterly liquidity thereafter. The original commitment date was December 29, 2023, meaning the fund is available to redeem on December 29, 2026. Withdrawn amounts will be available within 45 days after the valuation date (quarter-end).

The Foundation’s investments totaling \$8,719,387 at December 31, 2023 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.

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

	<u>2024</u>	<u>2023</u>
Net assets with donor restrictions	\$ 5,030,165	5,016,165
Unexpended earnings on endowments	3,256,866	2,672,971
Other net assets with donor restrictions	259,616	241,285
Board designated endowment fund	<u>908,877</u>	<u>556,889</u>
Endowment investments	9,455,524	8,487,310
Net assets without donor restrictions	<u>257,809</u>	<u>232,077</u>
Total investments	<u>\$ 9,713,333</u>	<u>8,719,387</u>

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(4) Investments, Continued

The changes in investments are as follows:

	<u>2024</u>	<u>2023</u>
Balances at beginning of year	\$ 8,719,387	8,091,632
Reinvested interest and dividend income	199,748	178,438
Realized gains (losses)	179,996	(62,379)
Unrealized gains	652,897	1,120,361
Less investment expenses	<u>(60,426)</u>	<u>(53,065)</u>
Investment return	972,215	1,183,355
Additional investments	14,000	15,500
Transfers	278,831	(300,000)
Distributions to DPL	<u>(271,100)</u>	<u>(271,100)</u>
Balances at end of year	<u>\$ 9,713,333</u>	<u>8,719,387</u>

In addition, the Foundation earned interest of \$55,660 in 2024 and \$28,556 in 2023 on its interest bearing cash accounts.

(5) A Story Still to Tell Contributions Receivable

At December 31, 2024 and 2023 contributions receivable totaled \$2,150 and \$633,827, respectively. These amounts are due in less than one year. 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 2024 and 2023.

(6) 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. During 2024 the loan agreement was paid in full.

(7) In-kind Donations

The Foundation received the following in-kind donations during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Office rent	\$ 16,000	16,000
Support	5,000	5,000
Postage	<u>33,578</u>	<u>33,578</u>
Total in-kind donations	<u>\$ 54,578</u>	<u>54,578</u>

The Library provides the Foundation with in-kind office space and bookstore space. Fair value is estimated using the price per square foot of a similar building in the area, and the expense is allocated among program and supporting services based on estimated usage of square footage occupied.

The Foundation receives support from the Library, including IT support, office furniture, telephone, fax, and copier service. These services are recognized as in-kind donations based on discussion and approval with the Library's finance manager.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(7) In-kind Donations, Continued

The Foundation also received postage through the Library. Postage would typically be purchased if not provided as an in-kind contribution. These goods are recognized as in-kind donations at fair value.

Unless otherwise noted, there were no donor-imposed restrictions associated with these in-kind donations. The Foundation does not sell donated gifts in-kind and only uses services, goods and facilities for its own program or supporting service activities.

(8) Net Asset with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Contributions restricted for specific purposes	\$ 640,500	642,543
Unappropriated endowment earnings and other temporarily restricted funds held in endowment	3,516,482	2,914,256
Endowment subject to appropriation and expenditure	<u>5,030,165</u>	<u>5,016,165</u>
Total net assets with donor restrictions	\$ <u>9,187,147</u>	<u>8,572,964</u>

During 2024 and 2023, net assets with donor restrictions of \$1,354,794 and \$866,500 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>2024</u>	<u>2023</u>
Special Collections and Archives/Western History	\$ 3,648,961	3,648,961
Library Capital Campaign Endowment	426,568	426,568
Other donor endowments	<u>954,636</u>	<u>940,636</u>
	\$ <u>5,030,165</u>	<u>5,016,165</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 funds 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:

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(9) Endowments, Continued

- (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, 2024:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	8,546,647	8,546,647
Board designated endowment funds	<u>908,877</u>	<u>—</u>	<u>908,877</u>
Total endowment net assets	<u>\$ 908,877</u>	<u>8,546,647</u>	<u>9,455,524</u>

The Foundation's endowment net assets consist of the following as of December 31, 2023:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	7,930,421	7,930,421
Board designated endowment funds	<u>556,889</u>	<u>—</u>	<u>556,889</u>
Total endowment net assets	<u>\$ 556,889</u>	<u>7,930,421</u>	<u>8,487,310</u>

Following are the changes in the endowment net assets for the years ended December 31, 2023 and 2024:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2023	\$ 760,154	7,129,539	7,889,693
Gifts/transfers	(300,000)	15,500	(284,500)
Investment return			
Investment income, net of expense	10,517	114,856	125,373
Net appreciation (realized and unrealized)	<u>86,218</u>	<u>941,626</u>	<u>1,027,844</u>
Total investment return	96,735	1,056,482	1,153,127
Appropriation of endowment assets for expenditure	<u>—</u>	<u>(271,100)</u>	<u>(271,100)</u>
Endowment net assets at December 31, 2023	556,889	7,930,421	8,487,310
Gifts/transfers	278,830	14,000	292,830
Investment return			
Investment income, net of expense	10,769	128,553	139,322
Net appreciation (realized and unrealized)	<u>62,389</u>	<u>744,773</u>	<u>807,162</u>
Total investment return	73,158	873,326	946,484
Appropriation of endowment assets for expenditure	<u>—</u>	<u>(271,100)</u>	<u>(271,100)</u>
Endowment net assets at December 31, 2024	<u>\$ 908,877</u>	<u>8,546,647</u>	<u>9,455,524</u>

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(9) Endowments, Continued

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, 2024.

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.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation has a policy of appropriating for distribution each year a percentage of 3-5% of the portfolio based on the rolling average of the Fund's past twelve quarters market values. 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 2024 and 2023 were funded from the following sources:

	<u>2024</u>	<u>2023</u>
Restricted Funds-DPL	\$ 1,065,697	546,476
Endowment fund earnings	<u>271,100</u>	<u>271,100</u>
Total distributions	<u>\$ 1,336,797</u>	<u>817,576</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.

Denver Public Library Friends Foundation
Notes to Financial Statements, Continued

(10) Transactions with Denver Public Library

Agreement, Continued

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, 2024 and 2023.

(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 seven 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 2024 and 2023, the Foundation's matching contribution totaled \$20,569 and \$13,913, respectively.

(12) Related Party Transactions

Footers Catering, for which one officer sits on the Foundation's board of directors, was reimbursed in 2024 in the amount of \$129,001 and \$95,589 for catering various events during 2024 and 2023, respectively.

Denver Public Library Friends Foundation
Schedule of Changes in Net Assets
Year Ended December 31, 2024

Net Asset Category	Balance January 1, 2024	Support and Revenue	Expenses and Interfund Transfers	Balance December 31, 2024
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
Brown Endowment	214,322	8,000	–	222,322
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	70,461	6,000	–	76,461
Latino Awards Endowment	24,300	–	–	24,300
Literary Club	9,222	–	–	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>5,016,165</u>	<u>14,000</u>	<u>–</u>	<u>5,030,165</u>
Purpose				
Endowment Fund				
Undistributed endowment earnings	2,672,971	846,750	(262,855)	3,256,866
Smiley Branch Collection	111,295	12,258	(3,803)	119,750
Classen Western History	92,585	10,198	(3,164)	99,619
Wilkin Memorial	37,405	4,120	(1,278)	40,247
Total Endowment Fund	<u>2,914,256</u>	<u>873,326</u>	<u>(271,100)</u>	<u>3,516,482</u>
A Story Still to Tell	8,837	–	(8,837)	–
Staff Relief Fund	1,495	–	–	1,495
Staff Wellness	9,159	–	(9,159)	–
Restricted Funds–DPL				
Special Collections and Archives/Western History	89,383	804,892	(715,829)	178,446
Branches and departments	399,632	219,938	(177,540)	442,030
Plaza	106,333	3,813	(109,433)	713
After School, Summer Reading, Read Aloud	27,704	53,007	(62,895)	17,816
Total Restricted Funds–DPL	<u>623,052</u>	<u>1,081,650</u>	<u>(1,065,697)</u>	<u>639,005</u>
Total net assets with donor restrictions (purpose)	<u>3,556,799</u>	<u>1,954,976</u>	<u>(1,354,793)</u>	<u>4,156,982</u>
Total net assets with donor restrictions	<u>8,572,964</u>	<u>1,968,976</u>	<u>(1,354,793)</u>	<u>9,187,147</u>
Without Donor Restrictions				
Board Designated				
General Endowment	556,889	351,988	–	908,877
Undesignated				
Other without donor restriction	1,650,523	1,437,974	(1,925,281)	1,163,216
Total undesignated	<u>1,650,523</u>	<u>1,437,974</u>	<u>(1,925,281)</u>	<u>1,163,216</u>
Total net assets	<u>\$ 10,780,376</u>	<u>3,758,938</u>	<u>(3,280,074)</u>	<u>11,259,240</u>

See the accompanying independent auditor's report.