

**THE DETROIT PUBLIC LIBRARY
FRIENDS FOUNDATION, INC.**

FINANCIAL STATEMENTS

APRIL 30, 2022

**BOISVENU & COMPANY, P.C.
Certified Public Accountants
Bingham Farms, Michigan**

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Detroit Public Library Friends Foundation, Inc.

Opinion

We have audited the accompanying financial statements of The Detroit Public Library Friends Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 Detroit Public Library Friends Foundation, Inc. as of April 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Detroit Public Library Friends Foundation, Inc. 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 Detroit Public Library Friends Foundation, Inc.'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.

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 Detroit Public Library Friends Foundation, Inc.'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 Detroit Public Library Friends Foundation, Inc.'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.

Report on Summarized Comparative Information

We have previously audited The Detroit Public Library Friends Foundation, Inc.'s April 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisvenue & Company, P.C.

March 7, 2023

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2022, WITH COMPARATIVE TOTALS FOR 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
ASSETS				
Current Assets				
Cash	\$ 28,496	\$ 26,030	\$ 54,526	\$ 308,314
Investments appropriated	376,600	-	376,600	222,127
Accounts and pledges receivable	-	-	-	15,000
Prepaid expenses	1,840	-	1,840	-
Total Current Assets	<u>406,936</u>	<u>26,030</u>	<u>432,966</u>	<u>545,441</u>
Non-current Assets				
Investments - net of appropriations	2,652,774	1,161,266	3,814,040	4,299,393
Cash surrender value - life insurance	18,624	-	18,624	17,674
Total Non-current Assets	<u>2,671,398</u>	<u>1,161,266</u>	<u>3,832,664</u>	<u>4,317,067</u>
TOTAL ASSETS	<u>\$ 3,078,334</u>	<u>\$ 1,187,296</u>	<u>\$ 4,265,630</u>	<u>\$ 4,862,508</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	20,919	-	20,919	28,725
Total Liabilities	<u>20,919</u>	<u>-</u>	<u>20,919</u>	<u>28,725</u>
Net Assets				
Without donor restrictions				
Undesignated	28,040	-	28,040	225,103
Board designated	3,029,375	-	3,029,375	3,319,866
With donor restrictions	-	1,187,296	1,187,296	1,288,814
Total Net Assets	<u>3,057,415</u>	<u>1,187,296</u>	<u>4,244,711</u>	<u>4,833,783</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,078,334</u>	<u>\$ 1,187,296</u>	<u>\$ 4,265,630</u>	<u>\$ 4,862,508</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2022, WITH COMPARATIVE TOTALS FOR 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
REVENUE AND SUPPORT				
Contributions	\$ 98,613	\$ 47,100	\$ 145,713	\$ 395,208
Contributions of non-financial assets	-	-	-	90,720
Program and other income	6,625	-	6,625	3,475
Investment (deficit) income - net	(188,931)	(42,228)	(231,159)	906,738
	(83,693)	4,872	(78,821)	1,396,141
Net assets released from restrictions	106,390	(106,390)	-	-
TOTAL REVENUE AND SUPPORT	22,697	(101,518)	(78,821)	1,396,141
EXPENSES				
Program Services				
Literacy initiatives	194,037	-	194,037	129,081
Events	42,877	-	42,877	10,107
Special collections	10,352	-	10,352	10,107
Library support and advocacy	197,448	-	197,448	208,181
Total Program Services	444,714	-	444,714	357,476
Supporting Services				
Management and general	41,876	-	41,876	23,880
Fund raising	23,661	-	23,661	21,567
Total Supporting Services	65,537	-	65,537	45,447
TOTAL EXPENSES	510,251	-	510,251	402,923
CHANGE IN NET ASSETS	(487,554)	(101,518)	(589,072)	993,218
NET ASSETS, beginning of year	3,544,969	1,288,814	4,833,783	3,840,565
NET ASSETS, end of year	\$ 3,057,415	\$ 1,187,296	\$ 4,244,711	\$ 4,833,783

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2022, WITH COMPARATIVE TOTALS FOR 2021

	Program Services				Supporting Services		Total	
	Literacy Initiatives	Events	Special Collections	Library Support and Advocacy	Management and General	Fund Raising	2022	2021
Salaries	\$ 90,158	\$ 17,715	\$ 6,720	\$ 89,886	\$ 27,203	\$ 15,392	\$ 247,074	\$ 175,667
Payroll taxes	7,576	1,489	565	7,553	2,286	1,293	20,762	14,256
Employee benefits	7,981	1,568	595	7,957	2,408	1,363	21,872	-
Outside services	13,898	2,731	1,036	13,857	4,194	2,372	38,088	37,366
Office equipment and technology	7,665	1,506	571	7,642	2,313	1,309	21,006	13,796
Office supplies, dues and fees	2,803	550	210	2,794	845	479	7,681	5,853
Program activities and materials	58,650	16,479	-	63,001	-	-	138,130	149,739
Advertising and promotion	396	78	30	394	119	720	1,737	1,104
Meetings, conferences and travel	3,804	544	543	3,261	2,174	544	10,870	1,677
Insurance	1,106	217	82	1,103	334	189	3,031	3,465
Total Functional Expenses	<u>\$ 194,037</u>	<u>\$ 42,877</u>	<u>\$ 10,352</u>	<u>\$ 197,448</u>	<u>\$ 41,876</u>	<u>\$ 23,661</u>	<u>\$ 510,251</u>	<u>\$ 402,923</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2022, WITH COMPARATIVE TOTALS FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (589,072)	\$ 993,218
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Net realized and unrealized loss (gain) on investments	278,702	(854,254)
Increase in cash value of life insurance	(950)	(494)
(Increase) decrease in operating assets		
Accounts and pledges receivable	15,000	15,000
Prepaid expenses	(1,840)	1,700
Increase (decrease) in operating liabilities		
Accounts payable	(7,806)	28,163
Accrued expenses	<u>-</u>	<u>(9,426)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(305,966)</u>	<u>173,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(430,228)	(1,766,188)
Proceeds from sale of investments	<u>482,406</u>	<u>1,752,436</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>52,178</u>	<u>(13,752)</u>
NET (DECREASE) INCREASE IN CASH	(253,788)	160,155
CASH, beginning of year	<u>308,314</u>	<u>148,159</u>
CASH, end of year	<u>\$ 54,526</u>	<u>\$ 308,314</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Detroit Public Library Friends Foundation, Inc. (the Organization) is a Michigan nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. The Organization is dedicated to promoting and enhancing the City of Detroit's cultural growth, all forms of literacy, an interest in books, and other forms of human record and to the establishment of cooperative relationships and programs with the Detroit Public Library and other cultural institutions and groups in support of such charitable, literacy, and educational purposes.

The Organization's program and supporting services are as follows:

Program Services

Programs and activities – includes all activities related to 1) creating, organizing and implementing educational, literacy and community enhancing programs aimed at attracting and cultivating community partnerships and attracting interest in the organization and its mission driven efforts, 2) providing resources and partnerships to local philanthropic and cultural/art driven initiatives within the footprint of the areas serviced by the Library, 3) organizing efforts that support the Organization's involvement in the preservation of special collections and efforts that sit at the core of its origin and dedication to the history that belongs to the citizens of Detroit. Program activity expenditures are classified as follows:

Literacy Initiatives – Literacy is the key to understanding the world around us and while the landscape may change as time moves on, knowledge will always be a formidable opponent against poverty and division. The Organization will continue to seek out, support and provide resources that support the communities we serve in overcoming the obstacles that stand in the way of their greatness.

Programming/Events – includes youth and family literacy and educational activities, technology driven efforts and universal access through strategic partnerships and development.

Special Collections and Preservation – Support of initiatives that utilize the Burton Historical Collection to serve as resources for the interaction of community members, social/civil equity projects and partnerships that enhance the Detroit community.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

Community Engagement/ Library Support and Advocacy – includes traditional library initiatives:

- Early literacy (K-3)
- Basic Literacy
- Digital/Technological Literacy
- Prioritizes programs with an emphasis on literacy and mentorship for young children of color
- Encourages and supports collaborative partnerships to deliver new, innovative and equity driven programming opportunities for the Detroit community

Management and General

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the Organization's programs, and manage the financial and budgeting responsibilities of the Organization.

Fund Raising

This provides the structure necessary to encourage and secure support from individuals, foundations and government agencies.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Board designated net assets include net assets which are designated for the Organization's activities. These designations are based on actions by the Board of Directors, which can be altered or revoked at a future time.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Use of 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 reported period. Actual results could differ from those estimates.

New Accounting Pronouncement

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments expand presentation and disclosure requirements for contributed nonfinancial assets (also referred to as gifts-in-kind). The amendments require that contributed nonfinancial assets be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, the ASU also require expanded disclosures relating to each category of contributed nonfinancial assets. Specifically, nonprofit organizations must disclose contributed nonfinancial assets received disaggregated by category that depicts the type of assets contributions. FASB ASU No. 2020-07 is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization adopted the new standard effective May 1, 2021, the first day of the Organization's fiscal year using the full retrospective method. There are no significant changes in any financial statement line item that resulted from adopting ASU 2020-07, in comparison with the prior year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value. The Organization has no cash equivalents at April 30, 2022.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair value, or for gifts, market value at the date of the gift. The unrealized gains and losses are reported in the statement of financial position and statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Investment losses reduce net assets with donor restrictions to the extent that donor imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses are reported as underwater funds.

Equipment

Equipment is carried at cost or, if donated, at fair value at the time of the donation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. All capitalized assets are fully depreciated. The Organization's policy is to capitalize acquisitions of \$500 or more. Expenditures for major renewals and betterments that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue and Support

Agency contract arrangements with foundations, corporations or governmental agencies constitute and are accounted for as conditional contributions since the resource provider does not receive commensurate value for the consideration received by the Organization; rather, the purpose of an arrangement is for the benefit of the general public. Revenue is recognized when the condition is satisfied. Conditions are satisfied based on incurring qualified expenses, and/or satisfying a milestone, and/or execution of other deliverable units of service. A refundable advance is recorded when the Organization receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of April 30, 2022, there were no refundable advances recorded for agency contracts.

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

The Organization elects to report restricted contributions that were initially conditional and for which both the condition and the restriction simultaneously occur as increases in net assets without donor restrictions in accordance with *Presentation of Financial Statements of Not-for-Profit Entities* FASB ASC 958-605-45-4B.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support (continued)

The Organization reports unconditional gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program activities.

In accordance with *Revenue from Contracts with Customers* FASB 606-10-50, revenue from program income is recognized as service is rendered. Revenue under contracts is recognized on the basis of actual time incurred multiplied by the billable hourly rate stated in the contract, plus materials expense incurred. In cases where costs are incurred in advance of billings, a receivable is recorded in the period during which the expenses are incurred. In cases where billings are in excess of costs or advance payments are received, deferred revenue is recorded in the period during which the advance is received and recognized as income when the related service is rendered.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to the associated program and supporting services. Certain indirect costs have been allocated among the programs and supporting services benefited. Personnel and related costs are allocated based on estimates of time and effort. Other costs, such as occupancy, are allocated on a square footage basis.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Positions

The Organization is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years ended prior to April 30, 2015.

Fair Value Disclosure

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of April 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$ 4,245,166
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(26,030)
Unappropriated appreciation on endowment fund	(353,153)
Donor restricted endowment funds	(808,113)
Board designations	<u>(2,652,775)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 405,095</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS

Various inputs may be used in determining the fair value of the Organization's assets and liabilities measured on a recurring basis. These inputs are market-based measurements based on and determined by the assumptions that market participants would use in pricing an asset or a liability and are summarized into three levels:

- Level (1): Inputs to the valuation methodology are quoted prices for identical assets in active markets.
- Level (2): Inputs to the valuation methodology include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals and net asset values (NAV).
- Level (3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumptions in determining the fair value of an asset or a liability).

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about projections market participants would use in developing a price that would be received to sell an asset or paid to transfer a liability based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the Organization's inputs used to determine their values on April 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ -	\$ 246,221	\$ -
Debt securities	-	74,461	-
Equity securities	1,085,735	-	-
Mutual funds - Debt securities	-	1,553,023	-
Mutual funds - Equity securities	<u>1,231,200</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,316,935</u>	<u>\$ 1,873,705</u>	<u>\$ -</u>

4. INVESTMENTS

Investments are recorded at fair value and at April 30, 2022 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market	\$ 246,221	\$ 246,221
Debt securities	74,526	74,461
Equity securities	900,745	1,085,735
Mutual funds	<u>2,421,250</u>	<u>2,784,223</u>
	<u>\$ 3,642,742</u>	<u>\$ 4,190,640</u>

The following schedule details the investment deficit in the statement of activities for the year ended April 30, 2022:

Interest and dividend income	\$ 79,102
Net realized and unrealized loss	(278,702)
Investment fees	<u>(31,559)</u>
	<u>\$ (231,159)</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

5. OPERATING LEASES

The Organization is obligated under leases for office equipment expiring on various dates through August 2026.

Future minimum lease payments are as follows for the years ending April 30:

2023	\$ 5,891
2024	5,279
2025	2,733
2026	1,884
2027	<u>471</u>
	<u>\$ 16,258</u>

Rental expense for the above lease agreements was approximately \$7,300 for the year ended April 30, 2022.

6. BOARD DESIGNATED NET ASSETS

The Organization's board has designated the use of net assets without donor restrictions for the following purposes:

Investment purposes	\$ 2,609,598
Fund for Education Initiatives	325,744
Vera Malone Fund for Books	89,753
E. Azalia Hackley Collection	<u>4,280</u>
	<u>\$ 3,029,375</u>

Consist of contributions without donor restrictions, including bequest and 'life memberships', designated by the Board of Directors to be placed in this classification, with the requirement that the principal be invested. Income generated from the investments is currently available for operations. There are no legal restrictions on the principal balance. Upon an action by the Board of Directors to rescind the designation, the principal would be available for expenditures to support the Organization's general activities.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

7. NET ASSETS WITH DONOR RESTRICTIONS

At April 30, 2022, net assets with donor restrictions consist of cash and investments and are available for the following:

Subject to the passage of time:	
Future operations	\$ 17,500
Subject to expenditure for specified purpose:	
Youth and Family Learning	80,782
Hester Fund for Rare Books	71,135
Sherwood Forest Branch	50,000
Fund for Literacy Initiatives	48,221
Grant Howell Trust Fund - NAHC	45,561
Fund for Education Initiatives	25,831
Doris Pugh Parker Fund for Children services	10,411
Burton Collection	9,008
Summer Reading	8,081
Technology and Access	5,000
Tour Program	4,653
African Americans in Healthcare	<u>3,000</u>
	<u>379,183</u>
Not subject to appropriation or expenditure:	
Lew Endowment Fund	
Burton Historical Library funding	748,113
Grant Howell Trust Fund	
NAHC	50,000
Doris Pugh Parker Fund for Children services	<u>10,000</u>
	<u>808,113</u>
	<u>\$ 1,187,296</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year are as follows:

Subject to the passage of time:	
Future operations	\$ 53,000
Subject to expenditure for specified purpose:	
Bookmobile	50,000
Parkman Branch	2,000
Memorial Book Fund	<u>1,390</u>
	<u>\$ 106,390</u>

9. ENDOWMENT FUND CHANGES

The Organization's endowments consist of investment funds and securities established for various purposes. Net assets are board designated – without donor restrictions and net assets with donor restrictions. As required by generally accepted accounting principles, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the year ended April 30, 2022 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - April 30, 2021	\$ 3,486,843	\$ 1,034,677	\$ 4,521,520
Contributions	16,004	-	16,004
Investment deficit - net	(189,864)	(42,228)	(232,092)
Appropriated expenditures	(114,791)	-	(114,791)
Transfer in	(168,817)	168,817	-
Allocations	<u>-</u>	<u>-</u>	<u>-</u>
Balance - April 30, 2022	<u>\$ 3,029,375</u>	<u>\$ 1,161,266</u>	<u>\$ 4,190,641</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENT FUND CHANGES (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of accumulated gifts. At April 30, 2022, there were no funds with deficiencies.

Interpretation of Relevant Law

The Organization classifies as donor-restricted net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions, in accordance with the direction of the applicable donor gift instruments, is classified as net assets without donor restrictions based on unrestricted accumulation of earnings until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the fund
- The investment policies of the fund

Return Objective and Spending Policy

The endowment assets are governed by a spending policy that seeks to distribute a payout rate of the endowment base to support the Organization's programs and operations. The endowment base is defined on the historical value of the original gift. Annual amounts distributed from the endowment funds are determined by the Board of Directors based on an analysis of the Organization's budgeted cash flow needs. Annual amounts available for distribution from the endowment are set forth in the current spending policy and are subject to the authority of the Board of Directors.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

9. ENDOWMENT FUND CHANGES (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 primary objective is to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated if it is consistent with the volatility of a comparable market index.

10. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions in Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. At April 30, 2022, the cash balances are fully insured.

11. COMMITTED FUNDS

The Board of Directors has appropriated \$15,000 of board designated funds for future grants.

12. CONTINGENT LIABILITIES

In the normal course of operations, there could be outstanding contingent liabilities such as lawsuits, governmental agency assessments, etc., which are not known to the Organization and therefore have not been reflected in the accompanying financial statements. The Organization's management is of the opinion that the liability, if any, will be either immaterial or insurance coverage is adequate to cover any potential losses.

13. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended April 30, 2021, from which the summarized information was derived.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

14. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

15. NET ASSET TRANSFERS

Certain adjustments to the reported net assets in the Organization's previously issued April 30, 2021 financial statements have been made in the current year that did not result in a change in the aggregated total net asset balance. This resulted in the following changes to net assets as of April 30, 2021:

	<u>Undesignated</u>	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Previously reported 4/30/21	\$ 3,264,716	\$ 225,103	\$ 1,343,964	\$ 4,833,783
Undesignated	55,150	-	-	55,150
With donor restrictions	<u>-</u>	<u>-</u>	<u>(55,150)</u>	<u>(55,150)</u>
As adjusted, 4/30/21	<u>\$ 3,319,866</u>	<u>\$ 225,103</u>	<u>\$ 1,288,814</u>	<u>\$ 4,833,783</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2023, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which could affect the Organization's operations both directly and indirectly through its impact on investment valuations and other funding sources, vendors, staff and contracted services. The financial effects on the Organization are not readily determinable. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.