

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

FINANCIAL STATEMENTS

APRIL 30, 2019

**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.

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, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Detroit Public Library Friends Foundation, Inc. as of April 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited The Detroit Public Library Friends Foundation, Inc.'s April 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisvenu & Company, P.C.

October 24, 2019

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
ASSETS				
Current Assets				
Cash	\$ 8,912	\$ 234,473	\$ 243,385	\$ 286,229
Investments appropriated	13,862	86,138	100,000	-
Accounts and pledges receivable	<u>540</u>	<u>-</u>	<u>540</u>	<u>20,000</u>
Total Current Assets	<u>23,314</u>	<u>320,611</u>	<u>343,925</u>	<u>306,229</u>
Non-current Assets				
Investments - net of appropriations	2,882,990	771,652	3,654,642	3,592,598
Cash surrender value - life insurance	16,643	-	16,643	16,132
Equipment - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>218</u>
Total Non-current Assets	<u>2,899,633</u>	<u>771,652</u>	<u>3,671,285</u>	<u>3,608,948</u>
TOTAL ASSETS	<u>\$ 2,922,947</u>	<u>\$ 1,092,263</u>	<u>\$ 4,015,210</u>	<u>\$ 3,915,177</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 1,895	\$ -	\$ 1,895	\$ 19,270
Accrued expenses	<u>6,082</u>	<u>-</u>	<u>6,082</u>	<u>-</u>
Total Liabilities	<u>7,977</u>	<u>-</u>	<u>7,977</u>	<u>19,270</u>
Net Assets				
Without donor restrictions				
Undesignated	31,980	-	31,980	56,494
Board designated	2,882,990	-	2,882,990	2,848,584
With donor restrictions	<u>-</u>	<u>1,092,263</u>	<u>1,092,263</u>	<u>990,829</u>
Total Net Assets	<u>2,914,970</u>	<u>1,092,263</u>	<u>4,007,233</u>	<u>3,895,907</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,922,947</u>	<u>\$ 1,092,263</u>	<u>\$ 4,015,210</u>	<u>\$ 3,915,177</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
REVENUE AND SUPPORT				
Contributions	\$ 97,313	\$ 157,393	\$ 254,706	\$ 285,672
Membership dues	27,990	-	27,990	36,284
Program and other income	4,343	-	4,343	3,745
Investment income - net	147,164	39,860	187,024	242,620
	<u>276,810</u>	<u>197,253</u>	<u>474,063</u>	<u>568,321</u>
Net assets released from restrictions	<u>95,819</u>	<u>(95,819)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>372,629</u>	<u>101,434</u>	<u>474,063</u>	<u>568,321</u>
EXPENSES				
Program Services				
Lecture series	-	-	-	23,702
Events	26,845	-	26,845	23,702
Special collections	25,474	-	25,474	29,297
Library support and advocacy	247,558	-	247,558	208,959
Total Program Services	<u>299,877</u>	<u>-</u>	<u>299,877</u>	<u>285,660</u>
Supporting Services				
Management and general	40,073	-	40,073	25,599
Fund raising	22,787	-	22,787	19,311
Total Supporting Services	<u>62,860</u>	<u>-</u>	<u>62,860</u>	<u>44,910</u>
TOTAL EXPENSES	<u>362,737</u>	<u>-</u>	<u>362,737</u>	<u>330,570</u>
CHANGE IN NET ASSETS	9,892	101,434	111,326	237,751
NET ASSETS, beginning of year	<u>2,905,078</u>	<u>990,829</u>	<u>3,895,907</u>	<u>3,658,156</u>
NET ASSETS, end of year	<u>\$ 2,914,970</u>	<u>\$ 1,092,263</u>	<u>\$ 4,007,233</u>	<u>\$ 3,895,907</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Program Services			Supporting Services		Total	
	Events	Special Collections	Library	Management and General	Fund Raising	2019	2018
			Support and Advocacy				
Salaries	\$ 10,421	\$ 13,011	\$ 103,689	\$ 24,071	\$ 12,615	\$ 163,807	\$ 154,475
Payroll taxes	883	1,103	8,791	2,041	1,069	13,887	11,799
Outside services	1,449	1,809	14,420	3,348	1,754	22,780	26,098
Occupancy	1,909	2,383	18,990	4,408	2,310	30,000	30,000
Office equipment and technology	762	951	7,582	1,760	922	11,977	10,187
Office supplies, dues and fees	262	327	2,609	605	319	4,122	1,285
Program activities and materials	9,806	4,141	77,864	-	-	91,811	84,514
Advertising and promotion	419	523	4,168	968	2,930	9,008	-
Meetings, conferences and travel	697	930	7,089	2,324	581	11,621	8,513
Insurance	233	291	2,319	539	282	3,664	3,580
Total Functional Expenses							
Before Depreciation	26,841	25,469	247,521	40,064	22,782	362,677	330,451
Depreciation	4	5	37	9	5	60	119
Total Functional Expenses	<u>\$ 26,845</u>	<u>\$ 25,474</u>	<u>\$ 247,558</u>	<u>\$ 40,073</u>	<u>\$ 22,787</u>	<u>\$ 362,737</u>	<u>\$ 330,570</u>

See accompanying notes to financial statements.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,326	\$ 237,751
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	60	119
Net realized and unrealized gain on investments	(129,308)	(193,084)
Increase in cash value of life insurance	(511)	(489)
Loss on disposal of equipment	158	-
(Increase) decrease in operating assets		
Accounts and pledges receivable	19,460	-
Increase (decrease) in operating liabilities		
Accounts payable	(17,375)	6,639
Accrued expenses	6,082	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(10,108)</u>	<u>50,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(981,901)	(586,719)
Proceeds from sale of investments	949,165	639,683
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(32,736)</u>	<u>52,964</u>
NET (DECREASE) INCREASE IN CASH	(42,844)	103,900
CASH, beginning of year	<u>286,229</u>	<u>182,329</u>
CASH, end of year	<u>\$ 243,385</u>	<u>\$ 286,229</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 supporting the Detroit Public Library (Library) through volunteering and fund raising, to ensure that the Detroit Public Library can continue its mission of providing enrichment programming to library patrons, and to preserve a space in Detroit where everyone is welcome to work, study, learn and create.

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

Program Services

Programs and activities – includes all activities related to 1) organizing educational seminars, workshops, and other programs to attract public interest in the various library departments, 2) reimbursing the library branches for specific programs, and 3) organizing special programs and publications for people interested in the Detroit Public Library. Program activity expenditures are classified as follows:

- Events – includes youth and family learning, technology and access, and re-imagined spaces.
- Special Collections – captures the spirit and promotes the value of the Library.
- Library Support and Advocacy – includes community engagement.

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.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 2).

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement (continued)

The changes have the following effect on net assets at April 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,905,078	\$ -
Temporarily restricted net assets	358,724	-
Permanently restricted net assets	632,105	-
Net assets without donor restrictions	-	2,905,078
Net assets with donor restrictions	-	990,829
Total net assets	<u>\$ 3,895,907</u>	<u>\$ 3,895,907</u>

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, 2019.

Accounts and pledges receivable

The Organization considers accounts and pledges receivable to be fully collectible at April 30, 2019; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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 decreases in net assets without donor restrictions.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is carried at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful life of five years. 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

Revenue from grant awards under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the grant, revenue and accounts receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, deferred revenue is recorded in the period during which the advance is received and recognized as income when the related expenses are incurred.

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 reports gifts of cash and other assets as restricted support 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

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 benefitted. 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.

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 ending prior to April 30, 2012.

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, pledges receivable, 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, 2019, 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	\$ 3,998,567
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(356,777)
Donor restricted endowment funds	(655,083)
Board designations	<u>(2,882,990)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 103,717</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 following table summarizes the Organization's inputs used to determine their values on April 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ -	\$ 212,323	\$ -
Debt securities	-	564,741	-
Equity securities	752,774	-	-
Mutual funds - Debt securities	-	780,864	-
Mutual funds - Equity securities	<u>1,443,940</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,196,714</u>	<u>\$ 1,557,928</u>	<u>\$ -</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

Investments are recorded at fair value and at April 30, 2019 consist of the following:

	Cost	Fair Value
Money market	\$ 212,323	\$ 212,323
Debt securities	569,279	564,741
Equity securities	657,024	752,774
Mutual funds	<u>1,883,031</u>	<u>2,224,804</u>
	<u>\$ 3,321,657</u>	<u>\$ 3,754,642</u>

The following schedule details the investment income in the statement of activities for the year ended April 30, 2019:

Interest and dividend income	\$ 83,683
Net realized and unrealized gain	129,308
Investment fees	<u>(25,967)</u>
	<u>\$ 187,024</u>

5. EQUIPMENT

At April 30, 2019, equipment consists of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Equipment	<u>\$ 3,545</u>	<u>\$ -</u>	<u>\$ 595</u>	\$ 2,950
Less accumulated depreciation				<u>2,950</u>
				<u>\$ -</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

6. OPERATING LEASES

The Organization is obligated under leases for office equipment expiring on various dates through 2022.

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

2020	\$ 2,065
2021	1,920
2022	1,920
2023	<u>320</u>
	<u>\$ 6,225</u>

Rental expense for the above lease agreements was approximately \$3,700 for the year ended April 30, 2019.

7. BOARD DESIGNATED NET ASSETS

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

Investment purposes	\$ 2,843,990
Future grants	<u>39,000</u>
	<u>\$ 2,882,990</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

8. NET ASSETS WITH DONOR RESTRICTIONS

At April 30, 2019, net assets with donor restrictions consist of cash and investments and are available for the following:

Subject to the passage of time:	
Future operations	\$ 10,000
Subject to expenditure for specified purpose:	
Youth and Family Learning	85,800
Fund for Rare Books	65,993
Burton Duplicate Sale Materials	55,528
Bookmobile	50,000
Sherwood Forest Branch	50,000
Children's Room	40,029
Story Telling Festival	15,544
Summer Reading	14,828
Coders Education Expansion	11,580
Burton Collection	10,547
Tour Program	6,235
Author Day	5,130
Technology and Access	5,000
Children's Literacy	3,250
African Americans in Healthcare	3,000
Tea Party Program	2,875
Memorial Book Fund	1,389
Bike Tech for Main and Redford	452
Not subject to appropriation or expenditure:	
Low Endowment Fund	
Burton Historical Library funding	645,083
Doris Pugh Parker Fund for Children	
Funding of children services	<u>10,000</u>
	<u>\$ 1,092,263</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

9. 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	\$ 37,083
Subject to expenditure for specified purpose:	
Youth and Family Learning	17,200
Hype Detroit Radio for Teens Project	10,000
Burton Collection	9,183
Coders Education Expansion	8,420
Hackley Concert	6,342
Learning Circles	2,500
Burton Duplicate Sale Materials	2,500
Children's Mosaic Project	1,600
Tour Program	991
	<u>\$ 95,819</u>

10. 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, 2019 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - April 30, 2018	\$ 2,851,623	\$ 740,975	\$ 3,592,598
Contributions	-	-	-
Investment return - net	147,164	39,860	187,024
Appropriated expenditures	(15,797)	(9,183)	(24,980)
Allocations	<u>(86,138)</u>	<u>86,138</u>	<u>-</u>
Balance - April 30, 2019	<u>\$ 2,896,852</u>	<u>\$ 857,790</u>	<u>\$ 3,754,642</u>

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

10. 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, 2019, 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 and (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 permanent is classified as either: with donor restrictions in accordance with the direction of the applicable donor gift instruments or classified as 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 Fund 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

10. 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.

11. IN-KIND DONATIONS

In-kind donations are valued at \$30,000 for the year ended April 30, 2019. The offsetting charge is to occupancy.

12. 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, 2019, the cash balances are fully insured.

13. COMMITTED FUNDS

The Board of Directors has appropriated \$39,000 of board designated funds for future grants.

14. CONTINGENT LIABILITIES

In the normal course of operations, there could be outstanding contingent liabilities such as lawsuits, 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.

THE DETROIT PUBLIC LIBRARY FRIENDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

15. 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, 2018, from which the summarized information was derived.

16. 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.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2019, the date the financial statements were available to be issued.