



Friends of the Dallas Public Library, Inc.

**Financial Statements
June 30, 2020 and 2019**

Friends of the Dallas Public Library, Inc.
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Independent Auditors' Report

To the Board of Directors of
Friends of the Dallas Public Library, Inc.

We have audited the accompanying financial statements of Friends of the Dallas Public Library, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

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

We believe 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 Friends of the Dallas Public Library, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

Limited Liability Partnership

Arlington, Texas
October 13, 2020

Friends of the Dallas Public Library, Inc.
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 443,189	\$ 205,818
Prepaid expenses	930	5,549
Investments	1,577,114	1,551,519
Endowment investments	2,464,784	2,485,696
Total assets	\$ 4,486,017	\$ 4,248,582
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 9,457	\$ 15,972
Net assets:		
Without donor restrictions	2,783,228	2,416,201
With donor restrictions	1,693,332	1,816,409
Total net assets	4,476,560	4,232,610
Total liabilities and net assets	\$ 4,486,017	\$ 4,248,582

See notes to financial statements.

Friends of the Dallas Public Library, Inc.
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Membership dues	\$ 41,162	\$ -	\$ 41,162
Investment income (loss), net	(15,959)	6,163	(9,796)
Contributions	308,690	299,972	608,662
Special events, net of direct costs of \$64,375	85,190	-	85,190
Book sales	40,428	-	40,428
Government grants	24,730	-	24,730
Other income	35,125	-	35,125
Net assets released from restrictions	429,212	(429,212)	-
Total revenue and other support	948,578	(123,077)	825,501
Expenses:			
Program services	402,311	-	402,311
General and administrative	154,444	-	154,444
Fundraising	24,796	-	24,796
Total expenses	581,551	-	581,551
Change in net assets	367,027	(123,077)	243,950
Net assets, beginning of the year	2,416,201	1,816,409	4,232,610
Net assets, end of the year	\$ 2,783,228	\$ 1,693,332	\$ 4,476,560

See notes to financial statements.

Friends of the Dallas Public Library, Inc.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Membership dues	\$ 60,307	\$ -	\$ 60,307
Investment income, net	91,171	74,693	165,864
Contributions	7,814	849,641	857,455
Special events, net of direct costs of \$71,386	72,544	-	72,544
Other income	25,180	-	25,180
Net assets released from restrictions	2,424,998	(2,424,998)	-
Total revenue and other support	2,682,014	(1,500,664)	1,181,350
Expenses:			
Program services	2,685,718	-	2,685,718
General and administrative	146,055	-	146,055
Fundraising	36,019	-	36,019
Total expenses	2,867,792	-	2,867,792
Change in net assets	(185,778)	(1,500,664)	(1,686,442)
Net assets, beginning of the year	2,601,979	3,317,073	5,919,052
Net assets, end of the year	\$ 2,416,201	\$ 1,816,409	\$ 4,232,610

See notes to financial statements.

Friends of the Dallas Public Library, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program services	General and administrative	Fundraising	Total
Bank and credit card fees	\$ -	\$ 4,470	\$ -	\$ 4,470
Contract services	-	10,750	-	10,750
IT and communications	-	3,254	2,653	5,907
Grants to the Dallas Public Library	312,424	-	-	312,424
Occupancy	-	16,625	-	16,625
Other	-	1,404	490	1,894
Public relations and advertising	-	-	9,053	9,053
Postage and shipping	-	3,544	-	3,544
Payroll and related expenses	58,800	108,490	12,600	179,890
Special event expenses	-	-	64,375	64,375
Staff development	31,087	3,202	-	34,289
Supplies	-	2,705	-	2,705
	<u>402,311</u>	<u>154,444</u>	<u>89,171</u>	<u>645,926</u>
Less expenses included with revenues on the statements of activities				
Direct costs of special events	-	-	(64,375)	(64,375)
Total expenses included in the expense section on the statements of activities	<u>\$ 402,311</u>	<u>\$ 154,444</u>	<u>\$ 24,796</u>	<u>\$ 581,551</u>

See notes to financial statements.

Friends of the Dallas Public Library, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program services	General and administrative	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bank and credit card fees	\$ -	\$ 2,534	\$ -	\$ 2,534
Contract services	-	12,346	-	12,346
IT and communications	-	3,855	3,607	7,462
Grants to the Dallas Public Library	2,580,968	-	-	2,580,968
Occupancy	-	16,525	-	16,525
Other	-	1,113	1,854	2,967
Public relations and advertising	5,000	-	11,251	16,251
Postage and shipping	-	3,601	6,707	10,308
Payroll and related expenses	58,800	99,745	12,600	171,145
Special event expenses	-	-	71,386	71,386
Staff development	40,950	2,064	-	43,014
Supplies	-	4,272	-	4,272
	<u>2,685,718</u>	<u>146,055</u>	<u>107,405</u>	<u>2,939,178</u>
Less expenses included with revenues on the statements of activities				
Direct costs of special events	<u>-</u>	<u>-</u>	<u>(71,386)</u>	<u>(71,386)</u>
Total expenses included in the expense section on the statements of activities	<u>\$ 2,685,718</u>	<u>\$ 146,055</u>	<u>\$ 36,019</u>	<u>\$ 2,867,792</u>

See notes to financial statements.

Friends of the Dallas Public Library, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 243,950	\$ (1,686,442)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized (gains) losses on investments	72,231	(38,985)
Unrealized gains on investments	(913)	(53,422)
Changes in assets and liabilities:		
Pledges receivable	-	71,175
Prepaid expenses	4,619	(549)
Accounts payable and other liabilities	(6,515)	(715)
Net cash provided (used) by operating activities	313,372	(1,708,938)
Cash flows from investing activities:		
Purchases of investments	(154,848)	(1,299,112)
Proceeds from sales of investments	78,847	2,850,757
Net cash provided (used) by investing activities	(76,001)	1,551,645
Change in cash and cash equivalents	237,371	(157,293)
Cash and cash equivalents, at beginning of year	205,818	363,111
Cash and cash equivalents, at end of year	\$ 443,189	\$ 205,818

See notes to financial statements.

Friends of the Dallas Public Library, Inc.

Notes to Financial Statements

1. Organization

Friends of the Dallas Public Library, Inc. (Organization) is a nonprofit 501(c)(3) organization whose purpose is to support the mission of the Dallas Public Library system to achieve excellence in its delivery of resources, services and information to the Dallas community. The Organization is primarily supported by membership dues and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Friends of the Dallas Public Library, Inc.

Notes to Financial Statements

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents and investments in marketable securities. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

In the normal course of business, the Organization maintains balances in financial institutions in excess of federally insured amounts. Balances at financial institutions did not exceed federally insured amounts as of June 30, 2020.

The Organization operates mainly in the Dallas, Texas area. Therefore, results of operations are subject to economic conditions of the area.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents.

Investments

At June 30, 2020 and 2019, the Organization's investments in marketable securities consist of money market funds, mutual funds, bond funds and specialty funds and are stated at fair value in the statements of financial position.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets.

Maintenance, repairs and replacements which do not improve or extend the lives of the respective assets are charged to operations when incurred. All renovations and acquisitions paid for by the Organization related to the Dallas Public Library's property and collections are expensed when incurred as these assets are owned by the Dallas Public Library.

Friends of the Dallas Public Library, Inc.

Notes to Financial Statements

Revenue Recognition

Membership dues are recognized as revenue when received, as no material benefit is given in exchange for the membership.

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated advertising and rent are reflected as contributions at their estimated fair values at date of receipt. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Special event revenue is recognized at the time of the event.

Revenue from donated book sales is recognized at the point of sale.

Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Friends of the Dallas Public Library, Inc.

Notes to Financial Statements

Allocation of Functional Expenses

The cost of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs directly identifiable to only one function are charged 100% to that function. Expenses not directly chargeable to one functional category are allocated based upon estimated percentages of time and effort. The Organization has allocated the executive director's salary as follows: 70% to program, 15% to general and administrative, and 15% to fundraising.

Estimates and Assumptions

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended June 30, 2020.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Organization has adopted this ASU as of and for the year ended June 30, 2020.

Friends of the Dallas Public Library, Inc.

Notes to Financial Statements

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Investments

Under the fair value measurements and disclosures topic of the codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date; |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

Mutual Funds, Bond Funds and Specialty Funds

These investments are proprietary investment vehicles of Westwood Trust (Westwood) valued using the net asset value (NAV) provided by Westwood. The NAV is based on the value of the underlying asset owned by the fund, less its liabilities, and then divided by the number of shares outstanding. Westwood's proprietary mutual funds invest in publicly traded investment vehicles.

Money Market Funds

These funds are valued using \$1 for the NAV.

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Organization believes

Friends of the Dallas Public Library, Inc.
Notes to Financial Statements

its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, within the fair value hierarchy by level, the Organization's investments at estimated fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 953,946	\$ -	\$ -	\$ 953,946
Mutual funds:				
Domestic equity	-	1,128,069	-	1,128,069
International equity	-	560,061	-	560,061
Bond funds:				
Domestic bonds	-	762,594	-	762,594
Specialty funds:				
Tactical allocation	-	637,228	-	637,228
	<u>\$ 953,946</u>	<u>\$ 3,087,952</u>	<u>\$ -</u>	<u>\$ 4,041,898</u>

The following table sets forth, within the fair value hierarchy by level, the Organization's investments at estimated fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 825,950	\$ -	\$ -	\$ 825,950
Mutual funds:				
Domestic equity	-	1,023,097	-	1,023,097
International equity	-	600,628	-	600,628
Bond funds:				
Domestic bonds	-	783,835	-	783,835
International bonds	-	159,569	-	159,569
Specialty funds:				
Global convertables	-	138,432	-	138,432
Master limited partnership	-	61,737	-	61,737
Tactical allocation	-	443,967	-	443,967
	<u>\$ 825,950</u>	<u>\$ 3,211,265</u>	<u>\$ -</u>	<u>\$ 4,037,215</u>

Friends of the Dallas Public Library, Inc.
Notes to Financial Statements

The following table presents securities which represent 10% or more of total investments as of June 30:

	<u>2020</u>	<u>2019</u>
Equity based:		
Westwood AllCap Equity	\$ 541,802	\$ 441,941
Specialty:		
Westwood Income Opportunity	637,228	443,967

Net investment income is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 97,447	\$ 119,187
Realized gains (losses)	(72,231)	38,985
Unrealized gains	913	53,422
Investment fees	<u>(35,925)</u>	<u>(45,730)</u>
Investment income (loss), net	<u>\$ (9,796)</u>	<u>\$ 165,864</u>

Friends of the Dallas Public Library, Inc.
Notes to Financial Statements

4. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following programs or activities as of June 30:

	2020	2019
Subject to expenditure from endowment earnings:		
Charlotte Geary Book Memorial Fund	\$ 8,025	\$ 8,089
Giles Lecture Fund	31,000	31,262
Hamon Oil & Gas Resource Center	208,131	224,858
Laurie Evans Scholarship Fund	3,976	4,008
Library Legacies Fund	5,884	5,925
Rare Book Fund	62,404	62,926
McDermott Flowers and Plants Central Fund	73,714	74,318
Pollock Fine Arts Fund	80,513	81,086
Sparkman Rare Book Fund	29,227	29,442
	502,874	521,914
Subject to expenditure for specified purpose:		
Library Renovation	44,572	44,572
Children's Center	29,975	166,411
Crow Technology	4,263	4,339
Donor Database Technology	-	570
Branches	51,256	33,731
Mayor's Summer Reading	2,736	9,225
Poetry	31,048	24,384
Texas Dallas Oral History	29,648	29,648
Other	50,779	58,120
Andy Hanson Collection	3,812	3,812
Literacy Center/ESL	68,226	47,006
Storytellers Without Borders	4,497	21,223
8th Floor Genealogy	38,857	22,314
Warren Culbertson Collection	22,936	22,936
GED Programs	25,077	49,556
Dallas Public Library History Digitalization	85	900
Vickery Meadow Branch Child/Teen Center	125,000	100,000
Books for Babies	1,943	-
	534,710	638,747

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Notes to Financial Statements

	<u>2020</u>	<u>2019</u>
Subject to restriction in perpetuity:		
Charlotte Geary Book Memorial Fund	\$ 10,617	\$ 10,617
Giles Lecture Fund	47,672	47,672
Hamon Oil & Gas Resource Center	295,549	295,549
Laurie Evans Scholarship Fund	5,535	5,535
Library Legacies Fund	6,550	6,550
Rare Book Fund	80,190	80,190
McDermott Flowers and Plants Central Fund	101,517	101,517
Pollock Fine Arts Fund	75,500	75,500
Sparkman Rare Book Fund	32,618	32,618
	<u>655,748</u>	<u>655,748</u>
	<u>\$ 1,693,332</u>	<u>\$ 1,816,409</u>

5. In-Kind Donations

The Organization received various in-kind donations as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Advertising	\$ -	\$ 5,000
Rent	16,625	16,525
	<u>\$ 16,625</u>	<u>\$ 21,525</u>

Donated rent relates to office space provided to the Organization free of charge by the Dallas Public Library.

The estimated fair market value of these donations is reflected in the accompanying statements of activities as special event income, other income, and occupancy expense.

Many individuals volunteer from time-to-time to perform a variety of tasks that assist the Organization in its operations. These amounts are not reflected in the financial statements since these contributed services do not meet the criteria for recognition.

Friends of the Dallas Public Library, Inc. Notes to Financial Statements

6. Endowment Funds

The Organization's endowment fund consists of 17 funds established for various purposes including both donor-restricted endowment funds and funds designated by the Organization's board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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 Organization classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by Equest in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Organization and the endowment funds
- 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 Organization
- The Organization's investment policy

Friends of the Dallas Public Library, Inc.
Notes to Financial Statements

Endowment funds are categorized in the following net asset classes as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,158,623	\$ 1,158,623
Board-designated endowment funds	<u>1,306,161</u>	<u>-</u>	<u>1,306,161</u>
Total endowment net assets	<u>\$ 1,306,161</u>	<u>\$ 1,158,623</u>	<u>\$ 2,464,784</u>

Endowment funds are categorized in the following net asset classes as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,177,662	\$ 1,177,662
Board-designated endowment funds	<u>1,308,034</u>	<u>-</u>	<u>1,308,034</u>
Total endowment net assets	<u>\$ 1,308,034</u>	<u>\$ 1,177,662</u>	<u>\$ 2,485,696</u>

Changes in endowment funds net assets for the year ended June 30, 2020 are as follows:

	<u>Accumulated gains and other</u>	<u>Restricted in perpetuity</u>	<u>Total with donor restrictions</u>	<u>Without donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 521,914	\$ 655,748	\$ 1,177,662	\$ 1,308,034	\$ 2,485,696
Interest and dividend income	30,747	-	30,747	33,917	64,664
Unrealized and realized losses on investments	(24,507)	-	(24,507)	(24,486)	(48,993)
Appropriation of assets for expenditure	<u>(25,280)</u>	<u>-</u>	<u>(25,280)</u>	<u>(11,303)</u>	<u>(36,583)</u>
Endowment net assets, end of year	<u>\$ 502,874</u>	<u>\$ 655,748</u>	<u>\$1,158,622</u>	<u>\$1,306,162</u>	<u>\$2,464,784</u>

Friends of the Dallas Public Library, Inc. Notes to Financial Statements

Changes in endowment funds net assets for the year ended June 30, 2019 are as follows:

	Accumulated gains and other	Restricted in perpetuity	Total with donor restrictions	Without donor restrictions	Total
Endowment net assets, beginning of year	\$ 478,349	\$ 655,748	\$ 1,134,097	\$ 1,245,786	\$ 2,379,883
Interest and dividend income	30,412	-	30,412	32,527	62,939
Unrealized and realized gain on investments	43,038	-	43,038	40,904	\$ 83,942
Appropriation of assets for expenditure	(29,885)	-	(29,885)	(11,183)	(41,068)
Endowment net assets, end of year	<u>\$ 521,914</u>	<u>\$ 655,748</u>	<u>\$1,177,662</u>	<u>\$1,308,034</u>	<u>\$2,485,696</u>

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term.

Strategies Employed for Achieving Objectives

The Organization has a policy of appropriating the net interest and dividends of its endowment funds. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional growth through new gifts.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Distribution from the investment accounts for spending is limited to 5% of the lesser of the average end-of-quarter market value of the endowment for the previous twelve quarters to be determined at the end of the year for the ensuing year or the market value of the endowment at the end of the prior year. If the investment has fallen below historical cost (original contributions), spending will be limited to 3%.

7. Defined Contribution Retirement Plan

The Organization maintains a defined contribution retirement plan provided for employees meeting certain minimum eligibility requirements. Employees may contribute a portion of their earning to this plan with the Organization making matching contribution to the plan. During the years ended June 30, 2020 and 2019, the Organization contributed an amount equal to 100% of

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the first 3% of the participating employee's pretax contribution. Total retirement plan expense for the years ended June 30, 2020 and 2019 was \$4,764 and \$4,305, respectively.

8. Uncertainties

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity worldwide. In April 2020, the Organization secured a forgivable loan totaling \$24,730 under the Paycheck Protection Program. This loan has been shown as government grant revenue in the statement of activities, as the Organization has met all requirements for forgiveness. Due to the pandemic, the Organization experienced losses in its investment portfolio, none of which were determined to be other than temporary. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

9. Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 443,189	\$ 205,818
Investments	1,577,114	1,551,519
Endowment investments	<u>2,464,784</u>	<u>2,485,696</u>
Total financial assets	4,485,087	4,243,033
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors for specific uses	(534,710)	(638,747)
Accumulated endowment earning subject to spending policy	(502,874)	(521,914)
Endowment investments to be held in perpetuity	(655,748)	(655,748)
Endowment investments designated by the board of directors	<u>(1,306,162)</u>	<u>(1,038,034)</u>
Financial assets not available for general expenditures	<u>(2,999,494)</u>	<u>(2,854,443)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,485,593</u>	<u>\$ 1,388,590</u>

The Organization manages its financial assets available to meet general expenditures by operating with financial soundness and stability, maintaining adequate liquid assets, and maintaining sufficient reserves to cover long-term commitments to ensure the sustainability of the Organization.

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10. Subsequent Events

Due to the coronavirus, the Organization has cancelled their fall 2020 gala and is estimating approximately \$75,000 in lost revenue due to this cancellation.

The Organization has evaluated subsequent events after the statement of financial position date through the date the financial statements were available to be issued and concluded that no additional disclosures are required.