

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Financial Statements

December 31, 2025 and 2024



FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Table of Contents

Independent Auditor’s Report.....1-2

Statements of Financial Position..... 3

Statements of Activities 4 – 5

Statements of Functional Expenses..... 6 – 7

Statements of Cash Flows 8

Notes to the Financial Statements 9 – 18



600 INWOOD AVENUE NORTH
SUITE 140
OAKDALE, MN 55128
TEL: (651) 636-3806
FAX: (651) 636-1136
www.akinshenke.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of the Hennepin County Library
Minneapolis, Minnesota

We have audited the accompanying financial statements of Friends of the Hennepin County Library (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Hennepin County Library as of December 31, 2025 and 2024, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the Hennepin County Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Friends of the Hennepin County Library'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.

INDEPENDENT AUDITOR'S REPORT, continued

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 Friends of the Hennepin County Library'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 Friends of the Hennepin County Library'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.

May 19, 2026

Akins Henke and Company

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Statements of Financial Position

December 31, 2025 and 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash	\$ 2,534,070	962,084
Promises to give	53,049	57,946
Prepaid expenses	48,236	52,067
Total current assets	<u>2,635,355</u>	<u>1,072,097</u>
Noncurrent assets:		
Promises to give	-	43,000
Investments:		
Operating	1,904,210	2,692,153
Endowment	6,236,967	4,725,656
Total noncurrent assets	<u>8,141,177</u>	<u>7,460,809</u>
TOTAL ASSETS	\$ <u>10,776,532</u>	<u>8,532,906</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 8,935	15,552
Accrued compensation	24,104	16,966
Deferred program fees	221,630	242,162
Total current liabilities	<u>254,669</u>	<u>274,680</u>
Net assets:		
Without donor restrictions:		
Board designated	5,190,613	3,811,799
Undesignated	4,160,770	3,174,695
Total without donor restrictions	<u>9,351,383</u>	<u>6,986,494</u>
With donor restrictions	<u>1,170,480</u>	<u>1,271,732</u>
Total net assets	<u>10,521,863</u>	<u>8,258,226</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>10,776,532</u>	<u>8,532,906</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Statement of Activities

For the Year Ended December 31, 2025

(With Comparative Totals for 2024)

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2025</u>	<u>2024</u>
SUPPORT AND REVENUE:				
Corporate, foundation and government grants	\$ 690,600	-	690,600	851,337
Contributed goods and services	70,000	-	70,000	70,000
Individual gifts and memorials	4,117,318	64,621	4,181,939	2,481,573
Total support	<u>4,877,918</u>	<u>64,621</u>	<u>4,942,539</u>	<u>3,402,910</u>
Event revenue	62,115	-	62,115	-
Less cost of direct benefits to donors	(13,556)	-	(13,556)	-
Total event	<u>48,559</u>	<u>-</u>	<u>48,559</u>	<u>-</u>
Program revenue	582,147	-	582,147	525,053
Investment income, net	813,232	112,111	925,343	648,786
Total Support and Revenue	<u>6,321,856</u>	<u>176,732</u>	<u>6,498,588</u>	<u>4,576,749</u>
NET ASSETS RELEASED FROM RESTRICTIONS:				
Restrictions satisfied	<u>277,984</u>	<u>(277,984)</u>	<u>-</u>	<u>-</u>
EXPENSES:				
Program services	3,402,586	-	3,402,586	3,260,427
General and administrative	145,687	-	145,687	146,361
Fundraising	686,678	-	686,678	653,233
Total Expenses	<u>4,234,951</u>	<u>-</u>	<u>4,234,951</u>	<u>4,060,021</u>
CHANGE IN NET ASSETS	2,364,889	(101,252)	2,263,637	516,728
NET ASSETS - BEGINNING OF YEAR	<u>6,986,494</u>	<u>1,271,732</u>	<u>8,258,226</u>	<u>7,741,498</u>
NET ASSETS - END OF YEAR	<u>\$ 9,351,383</u>	<u>1,170,480</u>	<u>10,521,863</u>	<u>8,258,226</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Statement of Activities

For the Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Corporate, foundation and government grants	\$ 765,337	86,000	851,337
Contributed goods and services	70,000	-	70,000
Individual gifts and memorials	2,371,242	110,331	2,481,573
Program revenue	525,053	-	525,053
Investment income, net	568,190	80,596	648,786
Total Support and Revenue	<u>4,299,822</u>	<u>276,927</u>	<u>4,576,749</u>
 NET ASSETS RELEASED FROM RESTRICTIONS:			
Restrictions satisfied	<u>491,603</u>	<u>(491,603)</u>	<u>-</u>
 EXPENSES:			
Program services	3,260,427	-	3,260,427
General and administrative	146,361	-	146,361
Fundraising	653,233	-	653,233
Total Expenses	<u>4,060,021</u>	<u>-</u>	<u>4,060,021</u>
 CHANGE IN NET ASSETS	 731,404	 (214,676)	 516,728
 NET ASSETS - BEGINNING OF YEAR	 <u>6,255,090</u>	 <u>1,486,408</u>	 <u>7,741,498</u>
 NET ASSETS - END OF YEAR	 <u>\$ 6,986,494</u>	 <u>1,271,732</u>	 <u>8,258,226</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY
Statement of Functional Expenses
For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	<u>Program Services</u>								
	<u>Library Support and Grants</u>	<u>Programs and Public Awareness</u>	<u>Pen Pals Author Series</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total 2025</u>	<u>Total 2024</u>
Salaries	\$ 69,627	278,721	99,271	447,619	87,454	374,618	-	909,691	786,215
Payroll taxes	4,994	19,964	7,118	32,076	6,266	26,834	-	65,176	55,324
Employee benefits	7,146	31,221	10,135	48,502	6,246	38,163	-	92,911	112,336
Total personnel costs	<u>81,767</u>	<u>329,906</u>	<u>116,524</u>	<u>528,197</u>	<u>99,966</u>	<u>439,615</u>	<u>-</u>	<u>1,067,778</u>	<u>953,875</u>
Library grants	2,500,000	-	-	2,500,000	-	-	-	2,500,000	2,400,000
Accounting/audit	-	-	-	-	14,900	-	-	14,900	14,450
Insurance	-	-	-	-	3,995	-	-	3,995	2,929
Processing fees	-	-	17,345	17,345	4,562	38,511	-	60,418	61,904
Occupancy	5,335	21,345	7,616	34,296	6,732	28,972	-	70,000	70,000
Marketing	208	38,770	-	38,978	3,467	10,792	-	53,237	36,048
Office supplies	-	82	-	82	921	3,091	-	4,094	4,237
Software and technology	-	30,482	5,449	35,931	7,358	13,533	-	56,822	53,229
Dues and subscriptions	-	1,069	319	1,388	503	1,620	-	3,511	2,721
Consultants	8,265	27,473	5,070	40,808	200	40,366	-	81,374	78,083
Meetings and conferences	-	632	219	851	2,567	6,032	-	9,450	9,238
Travel	70	641	1,425	2,136	289	1,431	-	3,856	3,058
Postage and printing	-	35,029	2,371	37,400	227	94,190	-	131,817	177,243
Program events	-	18,770	146,404	165,174	-	8,525	13,556	187,255	186,343
Depreciation	-	-	-	-	-	-	-	-	6,663
Total Expenses	<u>2,595,645</u>	<u>504,199</u>	<u>302,742</u>	<u>3,402,586</u>	<u>145,687</u>	<u>686,678</u>	<u>13,556</u>	<u>4,248,507</u>	<u>4,060,021</u>
Less: Expenses netted against revenues on the statement of activities	-	-	-	-	-	-	(13,556)	(13,556)	-
Total expenses included in the expense section of the statement of activities	<u>\$ 2,595,645</u>	<u>504,199</u>	<u>302,742</u>	<u>3,402,586</u>	<u>145,687</u>	<u>686,678</u>	<u>-</u>	<u>4,234,951</u>	<u>4,060,021</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services						
	Library Support and Grants	Programs and Public Awareness	Pen Pals Author Series	Total Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 65,031	262,660	90,850	418,541	77,051	290,623	786,215
Payroll taxes	4,574	18,446	6,387	29,407	5,450	20,467	55,324
Employee benefits	9,429	39,659	13,028	62,116	9,048	41,172	112,336
Total personnel costs	<u>79,034</u>	<u>320,765</u>	<u>110,265</u>	<u>510,064</u>	<u>91,549</u>	<u>352,262</u>	<u>953,875</u>
Library grants	2,400,000	-	-	2,400,000	-	-	2,400,000
Accounting/audit	-	-	-	-	14,450	-	14,450
Insurance	-	-	-	-	2,929	-	2,929
Processing fees	-	-	21,047	21,047	5,617	35,240	61,904
Occupancy	5,883	23,696	8,172	37,751	6,447	25,802	70,000
Marketing	-	22,152	-	22,152	2,350	11,546	36,048
Office supplies	-	136	207	343	1,456	2,438	4,237
Software and technology	-	12,778	5,314	18,092	7,079	28,058	53,229
Dues and subscriptions	-	1,175	-	1,175	363	1,183	2,721
Consultants	21,130	11,562	8,050	40,742	7,993	29,348	78,083
Meetings and conferences	-	69	346	415	2,227	6,596	9,238
Travel	36	548	853	1,437	321	1,300	3,058
Postage and printing	-	32,080	5,750	37,830	2,959	136,454	177,243
Program events	-	11,016	154,468	165,484	-	20,859	186,343
Depreciation	630	2,425	840	3,895	621	2,147	6,663
Total Expenses	<u>\$ 2,506,713</u>	<u>438,402</u>	<u>315,312</u>	<u>3,260,427</u>	<u>146,361</u>	<u>653,233</u>	<u>4,060,021</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,263,637	516,728
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	-	6,663
Realized and unrealized gains on investments	(718,236)	(483,540)
Permanently restricted contributions received	(50,000)	(50,000)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	47,897	(48,186)
(Increase) decrease in prepaid expenses	3,831	(12,613)
Decrease in accounts payable	(6,617)	(50,913)
Increase (decrease) in accrued compensation	7,138	(3,619)
Increase (decrease) in deferred revenue	(20,532)	26,464
Net cash provided by (used for) operating activities	<u>1,527,118</u>	<u>(99,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,266,698)	(1,254,382)
Proceeds from sale of investments	<u>2,261,566</u>	<u>1,073,967</u>
Net cash used for investing activities	<u>(5,132)</u>	<u>(180,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions received	<u>50,000</u>	<u>50,000</u>
INCREASE (DECREASE) IN CASH	1,571,986	(229,431)
CASH - BEGINNING OF YEAR	<u>962,084</u>	<u>1,191,515</u>
CASH - END OF YEAR	<u>\$ 2,534,070</u>	<u>962,084</u>

See accompanying notes to the financial statements.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Friends of the Hennepin County Library (Friends of HCL) is to promote public support and appreciation for the Hennepin County Library system, to encourage the use of the libraries, to inform its members and the public of issues affecting the libraries, and to provide assistance for the further enrichment of the Library's collections and programs.

To accomplish these goals, Friends of HCL initiates projects and programs, and provides selective financial assistance where library needs cannot be met through normal revenue sources.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, Friends of HCL is required to report information regarding its financial position and activities according to two classes of net assets:

Without donor restrictions – represent the portion of net assets that are not subject to donor restriction and in which management and the Board of Directors has discretion as to use. This includes \$5,190,613 and \$3,811,799, respectively, of funds designated by the Board of Directors as a quasi-endowment fund for library operations and collections at December 31, 2025 and 2024.

With donor restrictions – represent the portion of net assets that arise from contributions that are restricted by donors for specific purposes or time periods, or to be retained in perpetuity for specific purposes as determined by the donor.

Revenue and Support

Friends of HCL recognizes contributions when cash, securities, unconditional promises to give, or other assets are committed by the donor. Conditional contributions - 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.

Certain Minnesota grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. At December 31, 2025 and 2024, there were no contributions that have not been recognized in the accompanying financial statements.

Contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as support without donor restrictions.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Revenue and Support, (continued)

Program revenue consists of sponsorships and ticket sales for the Pen Pals series, which is an author lecture series. Friends of HCL recognizes the Pen Pals revenue when the performance obligation of holding an author lecture occurs. If payment is received for multiple lectures, the payment is allocated to revenue on a pro-rata basis as the lectures occur. Payments received in advance of the performance obligation are recorded as deferred revenue until the performance obligation is met.

Special event revenue consists of ticket sales, sponsorships, and other contributions for special fundraising events held. The exchange element of the special event revenue was approximately \$14,000 for 2025, with the remaining portions being considered contributions. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met, which is the occurrence of the event. There was no special fundraising event held in 2024.

Contributed Goods and Services

Contributed goods and services are recognized as contributions if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by Friends of HCL. Contributed goods and services are valued at fair value at the date of donation.

A number of volunteers have made significant contributions of their time to Friends of HCL to help with programs and activities. The value of this contributed time is not reflected in the financial statements as such volunteer time does not meet the criteria for recognition under U.S. GAAP.

Cash

Cash is defined as cash in checking and savings accounts. Friends of HCL maintains checking and savings accounts at one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There was no uninsured cash as of December 31, 2025. At December 31, 2024, Friends of HCL's uninsured cash balances were approximately \$600,000.

Investments

Investments are recorded at fair value. The fair value of investments is based on quoted market prices, where available. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends are recorded when earned. Realized gains and losses are recorded as the differences between historical cost and the amount of cash proceeds received when sold. Unrealized gains and losses are recorded as the change in fair value of the investments during the year. Net investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or laws. The investments are exposed to various risks, such as interest rate, market, and credit risks and are subject to market and trading fluctuations.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Fair Value Measurements

Fair value measurement standards define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and require expanded disclosures about fair value measurements. Friends of HCL records its investments at fair value. In accordance with the related standards, Friends of HCL has categorized its investments, based on the priority of the inputs of the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Friends of HCL has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Friends of HCL does not have any Level 2 assets or liabilities.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity. Friends of HCL does not have any Level 3 assets or liabilities.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Promises to Give

Unconditional promises to give are recognized at net realizable value if due within one year, and at net present value if due over one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Equipment, Website and Depreciation

Equipment and website purchases greater than \$1,000 are capitalized at cost and donated equipment and website is capitalized at fair value. Equipment and website costs are being depreciated over the estimated useful lives of the assets using straight-line method of depreciation. The estimated useful lives were as follows:

Equipment	3-10 years
Website	3 years

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Advertising Costs

Advertising costs are expensed when incurred. Total advertising costs were \$53,327 and \$36,048 for the years ended December 31, 2025 and 2024, respectively.

Functional Allocation of Expenses

The costs of providing 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 detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include salaries, payroll taxes, employee benefits, occupancy, and depreciation. Such expenses are allocated based on staff time and efforts.

Tax Exempt Status

Friends of HCL is designated as a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. It is the policy of Friends of HCL, in accordance with U.S. GAAP, to assess any uncertain tax positions and, if necessary, record a liability and related income tax expense for any uncertain tax positions. Management has analyzed the tax positions taken by Friends of HCL and has concluded that as of December 31, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through May 19, 2026, the date which the financial statements were available for issue.

(2) **EQUIPMENT AND WEBSITE**

Equipment and website consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 36,038	36,038
Website	78,600	78,600
Accumulated depreciation	(114,638)	(114,638)
Total	\$ <u> -</u>	<u> -</u>

(3) **LIQUIDITY AND FINANCIAL ASSETS**

Friends of HCL regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. Friends of HCL strives to maintain six to nine months of operating expenses of cash reserves. Friends of HCL has various sources of liquidity at its disposal, including cash. Monthly cash requirements are held in the business checking account at \$115,000. Cash in excess of those requirements are moved into sweep accounts and investments to maximize earnings. Board designated funds are not available for operation needs unless approved by the Board.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(3) **LIQUIDITY AND FINANCIAL ASSETS, (continued)**

The following table reflects the Friends of HCL’s financial assets as of December 31, 2025 and 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	<u>2025</u>	<u>2024</u>
Cash	\$ 2,534,070	962,084
Promises to give	53,049	100,946
Investments	<u>8,141,177</u>	<u>7,417,809</u>
Total financial assets	10,728,296	8,480,839
Less amounts not available to be used within one year:		
Board designated endowment	(5,190,613)	(3,811,799)
Long-term promises to give	-	(43,000)
Donor restricted for perpetuity	(785,316)	(735,316)
Donor restricted for use	<u>(247,637)</u>	<u>(229,785)</u>
Financial assets available within one year to meet cash needs for general expenditures	\$ <u>4,504,730</u>	<u>3,660,939</u>

(4) **PROMISES TO GIVE**

Promises to give consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Due in less than one year	\$ 53,049	57,946
Due in one to five years	-	<u>43,000</u>
Total	\$ <u>53,049</u>	<u>100,946</u>

(5) **INVESTMENTS**

Investments are comprised of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Money market	\$ 275,397	429,519
Mutual funds:		
Fixed income	2,856,879	2,809,909
Equity funds	4,784,945	3,978,330
Real estate	<u>223,956</u>	<u>200,051</u>
Total	\$ <u>8,141,177</u>	<u>7,417,809</u>

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(6) **FAIR VALUE MEASUREMENTS**

The following tables present Friends of HCL’s fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2025 and 2024:

	2025			Total
	Level 1	Level 2	Level 3	
Money market	\$ 275,397	-	-	275,397
Mutual funds:				
Fixed income	2,856,879	-	-	2,856,879
Equity funds	4,784,945	-	-	4,784,945
Real estate	<u>223,956</u>	-	-	<u>223,956</u>
Total	\$ <u>8,141,177</u>	<u>-</u>	<u>-</u>	<u>8,141,177</u>
	2024			Total
	Level 1	Level 2	Level 3	
Money market	\$ 429,519	-	-	429,519
Mutual funds:				
Fixed income	2,809,909	-	-	2,809,909
Equity funds	3,978,330	-	-	3,978,330
Real estate	<u>200,051</u>	-	-	<u>200,051</u>
Total	\$ <u>7,417,809</u>	<u>-</u>	<u>-</u>	<u>7,417,809</u>

(7) **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose or other events specified by the donors. Net assets released from restriction were comprised of the following at December 31, 2025 and 2024:

	2025	2024
Satisfaction of purpose restrictions:		
Kesti Book Fund	\$ 1,000	1,000
Let’s Read	50,000	162,500
Literacy Fund	100,000	100,000
Local friends groups	39,370	42,518
Capacity building	<u>-</u>	<u>141,956</u>
Total satisfaction of purpose restriction	<u>190,370</u>	<u>447,974</u>
Release of time restriction	58,000	15,000
Endowment fund appropriation	<u>29,614</u>	<u>28,629</u>
Total net assets released from restrictions	\$ <u>277,984</u>	<u>491,603</u>

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(7) **NET ASSETS WITH DONOR RESTRICTIONS, (continued)**

Net assets with donor restriction are restricted for the following purposes as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purposes:		
Literacy Fund	\$ 46,500	146,500
Local Friends groups	17,997	49,551
Kesti book fund	9,260	8,514
Let's Read	-	50,000
Various small programs	<u>7,369</u>	<u>2,310</u>
	<u>81,126</u>	<u>256,875</u>
Subject to time:		
Time restricted for future years	<u>43,000</u>	<u>101,000</u>
Endowment fund:		
Funds to be held in perpetuity	785,316	735,316
Earnings subject to appropriation and restricted to endowment	<u>261,038</u>	<u>178,541</u>
	<u>1,046,354</u>	<u>913,857</u>
Total net assets with donor restrictions	\$ <u>1,170,480</u>	<u>1,271,732</u>

(8) **BOOK ENDOWMENT**

Friends of HCL's endowment funds were established for the purpose of augmenting the Library's annual book budget, supporting outreach, and supporting specific libraries. A portion of income from the invested funds is supplied to the Library each year if appropriated by Friends of HCL. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, 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 of Friends of HCL has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Friends of HCL classifies contributions to be held in perpetuity as net assets with donor restrictions at the original value of the gifts to the endowment and the value of subsequent gifts to the endowment. The remaining portion of donor-restricted endowment funds, if any, that are not classified as to be held in perpetuity, are classified as purpose restricted until those amounts are appropriated for expenditure by Friends of HCL.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(8) **BOOK ENDOWMENT, (continued)**

Interpretation of Relevant Law, (continued)

In accordance with UPMIFA, Friends of HCL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of Friends of HCL and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of Friends of HCL
- 7) The investment policies of Friends of HCL

The spending policy will be determined on an annual basis as part of the operating budget approval process. The annual distribution rate of 3-4% will be applied to a 12-quarter rolling average account balance. If deemed necessary, the Finance Committee may adjust the rate with the approval of the Board of Directors or its Executive Committee.

Investment Objectives and Strategies

Friends of HCL has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Finance Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, Friends of HCL follows an asset diversification plan, sets performance benchmarks for investment managers, and has established various asset quality and limitations thresholds. Actual returns in any given year may vary from this amount.

Endowment net asset composition for the years ended December 31, 2025 and 2024 are as follows:

	2025		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original gift amounts to be held in perpetuity	\$ -	785,316	785,316
Accumulated investment income	-	261,038	261,038
Board-designated endowment funds	<u>5,190,613</u>	-	<u>5,190,613</u>
Total funds	<u>\$ 5,190,613</u>	<u>1,046,354</u>	<u>6,236,967</u>
	2024		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original gift amounts to be held in perpetuity	\$ -	735,316	735,316
Accumulated investment income	-	178,541	178,541
Board-designated endowment funds	<u>3,811,799</u>	-	<u>3,811,799</u>
Total funds	<u>\$ 3,811,799</u>	<u>913,857</u>	<u>4,725,656</u>

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(8) **BOOK ENDOWMENT, (continued)**

The following is a summary of endowment funds subject to the UPMIFA for the years ended December 31, 2025 and 2024:

	2025		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, January 1, 2025	\$ 3,811,799	913,857	4,725,656
Investment income, net	568,571	112,111	680,682
Contributions	1,000,000	50,000	1,050,000
Appropriations of endowment assets for expenditure	(189,757)	(29,614)	(219,371)
Endowment net assets, December 31, 2025	\$ <u>5,190,613</u>	<u>1,046,354</u>	<u>6,236,967</u>
	2024		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, January 1, 2024	\$ 2,131,477	811,890	2,943,367
Investment income, net	291,858	80,596	372,454
Contributions	1,500,000	50,000	1,550,000
Appropriations of endowment assets for expenditure	(111,536)	(28,629)	(140,165)
Endowment net assets, December 31, 2024	\$ <u>3,811,799</u>	<u>913,857</u>	<u>4,725,656</u>

(9) **FRIENDS COORDINATION**

Friends of HCL coordinates volunteer local Friends chapters associated with individual libraries. The local Friends chapters are local volunteer fundraising entities who work in partnership with Friends of HCL to help create a comprehensive and unified approach to library support in Hennepin County. In addition to managing a joint membership program, Friends of HCL recognizes contributions and book sales proceeds on behalf of the local chapters as restricted revenues and holds assets in net assets with donor restrictions for use in support of Hennepin County Library. The local Friends advised funds totaled \$17,997 and \$49,551 for the years ended December 31, 2025 and 2024, respectively, and are included in net assets with donor restrictions.

FRIENDS OF THE HENNEPIN COUNTY LIBRARY

Notes to the Financial Statements

December 31, 2025 and 2024

(10) **RELATED PARTY**

As noted in Note 1, Friends of HCL is affiliated with the Hennepin County Library in various economic relationships. In addition, Friends of HCL provided library grants totaling \$2,500,000 and \$2,400,000 during the years ended December 31, 2025 and 2024, respectively.

(11) **403(B) EMPLOYEE RETIREMENT PLAN**

Friends of HCL sponsors a 403(b) retirement savings plan for its employees. Employees who work 1,000 hours annually are eligible. Friends of HCL makes contributions into the plan equal to 3% of each employee's total annual compensation. Matching contributions to the plan were \$27,310 and \$23,644 during the years ended December 31, 2025 and 2024, respectively.

(12) **CONTRIBUTED GOODS AND SERVICES**

Friends of HCL recognized nonfinancial assets as revenue for donated office space. The contributed nonfinancial assets did not have any donor-imposed restrictions. Donated office space is used by Friends of HCL for programming and supporting services. Friends of HCL estimates the fair value of the donated space by comparing the market rate for similar rented spaces in Minnesota. Contributed goods and services totaled \$70,000 for 2025 and 2024.