

# **Chicago Public Library Foundation**

Financial Statements and  
Supplementary Information

December 31, 2019 and 2018

# Chicago Public Library Foundation

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December 31, 2019 and 2018

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## **Independent Auditors' Report**

To the Board of Directors of  
Chicago Public Library Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Chicago Public Library Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and 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 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 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 Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 22-24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Chicago, Illinois  
June 11, 2020

# Chicago Public Library Foundation

Statements of Financial Position  
December 31, 2019 and 2018

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>Assets</b>                                |                      |                      |
| Cash and cash equivalents                    | \$ 2,810,249         | \$ 2,976,601         |
| Pledges receivable, net                      | 773,984              | 1,843,074            |
| Accrued interest/dividends receivable        | 48,446               | 27,968               |
| Investments                                  | 27,739,925           | 23,943,691           |
| Prepaid expenses                             | 44,787               | 42,807               |
| Property, equipment and collections          | 1                    | 1                    |
|  | <u>1</u>             | <u>1</u>             |
| Total assets                                 | <u>\$ 31,417,392</u> | <u>\$ 28,834,142</u> |
| <b>Liabilities and Net Assets</b>            |                      |                      |
| <b>Liabilities</b>                           |                      |                      |
| Accounts payable                             | \$ 556,857           | \$ 376,201           |
|  | <u>556,857</u>       | <u>376,201</u>       |
| Total liabilities                            | <u>556,857</u>       | <u>376,201</u>       |
| <b>Net Assets</b>                            |                      |                      |
| Without donor restrictions:                  |                      |                      |
| Undesignated                                 | 13,169,076           | 13,502,754           |
| Designated by the Board                      | 1,283,545            | 952,400              |
|  | <u>14,452,621</u>    | <u>14,455,154</u>    |
| Total without donor restrictions             | <u>14,452,621</u>    | <u>14,455,154</u>    |
| With donor restrictions:                     |                      |                      |
| Perpetual in nature                          | 8,641,882            | 8,641,882            |
| Endowment earnings subject to appropriations | 4,918,934            | 1,420,411            |
| Purpose restrictions                         | 2,847,098            | 3,940,494            |
|  | <u>16,407,914</u>    | <u>14,002,787</u>    |
| Total with donor restrictions                | <u>16,407,914</u>    | <u>14,002,787</u>    |
| Total net assets                             | <u>30,860,535</u>    | <u>28,457,941</u>    |
| Total liabilities and net assets             | <u>\$ 31,417,392</u> | <u>\$ 28,834,142</u> |

See notes to financial statements

# Chicago Public Library Foundation

## Statement of Activities

Year Ended December 31, 2019, With Comparative Totals for the Year Ended December 31, 2018

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2019<br/>Total</u> | <u>2018<br/>Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| <b>Operating</b>  |                                       |                                    |                       |                       |
| Support and revenue:  |                                       |                                    |                       |                       |
| Contributions   | \$ 512,785                            | \$ 1,754,741                       | \$ 2,267,526          | \$ 2,836,629          |
| Special event revenue, net of expenses  | 1,320,998                             | 116,500                            | 1,437,498             | 1,786,723             |
| Endowment income  | 1,075,984                             | -                                  | 1,075,984             | 1,094,444             |
| Other income  | 14,270                                | -                                  | 14,270                | 12,315                |
| Donated services and materials  | 110,975                               | -                                  | 110,975               | 94,690                |
| Net assets released from restrictions   | <u>2,964,637</u>                      | <u>(2,964,637)</u>                 | <u>-</u>              | <u>-</u>              |
| Total support and revenue   | <u>5,999,649</u>                      | <u>(1,093,396)</u>                 | <u>4,906,253</u>      | <u>5,824,801</u>      |
| <b>Expenses</b>   |                                       |                                    |                       |                       |
| Program services, Library   | 4,657,755                             | -                                  | 4,657,755             | 4,855,834             |
| Supporting services   |                                       |                                    |                       |                       |
| Management and general  | 527,850                               | -                                  | 527,850               | 653,473               |
| Fundraising   | <u>1,114,320</u>                      | <u>-</u>                           | <u>1,114,320</u>      | <u>1,153,528</u>      |
| Total expenses  | <u>6,299,925</u>                      | <u>-</u>                           | <u>6,299,925</u>      | <u>6,662,835</u>      |
| <b>Change in Net Assets From<br/>Operating Activities</b>   | <u>(300,276)</u>                      | <u>(1,093,396)</u>                 | <u>(1,393,672)</u>    | <u>(838,034)</u>      |
| <b>Nonoperating</b>   |                                       |                                    |                       |                       |
| Net gains (losses) on investments   | 479,543                               | 3,850,991                          | 4,330,534             | (2,435,481)           |
| Deficit of income earned over<br>withdrawal under spending<br>policy, net of investment<br>expenses | <u>(181,800)</u>                      | <u>(352,468)</u>                   | <u>(534,268)</u>      | <u>(610,211)</u>      |
| Change in net assets from<br>nonoperating activities  | <u>297,743</u>                        | <u>3,498,523</u>                   | <u>3,796,266</u>      | <u>(3,045,692)</u>    |
| Change in net assets  | (2,533)                               | 2,405,127                          | 2,402,594             | (3,883,726)           |
| <b>Net Assets, Beginning</b>  | <u>14,455,154</u>                     | <u>14,002,787</u>                  | <u>28,457,941</u>     | <u>32,341,667</u>     |
| <b>Net Assets, Ending</b>   | <u>\$ 14,452,621</u>                  | <u>\$ 16,407,914</u>               | <u>\$ 30,860,535</u>  | <u>\$ 28,457,941</u>  |

See notes to financial statements

# Chicago Public Library Foundation

## Statement of Activities

Year Ended December 31, 2018

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>         |
|---|---------------------------------------|------------------------------------|----------------------|
| <b>Operating</b>  |                                       |                                    |                      |
| Support and revenue:  |                                       |                                    |                      |
| Contributions   | \$ 505,631                            | \$ 2,330,998                       | \$ 2,836,629         |
| Special event revenue, net of expenses  | 1,446,723                             | 340,000                            | 1,786,723            |
| Endowment income  | 1,094,444                             | -                                  | 1,094,444            |
| Other income  | 12,315                                | -                                  | 12,315               |
| Donated services and materials  | 94,690                                | -                                  | 94,690               |
| Net assets released from restrictions   | 3,287,851                             | (3,287,851)                        | -                    |
|   | <u>6,441,654</u>                      | <u>(616,853)</u>                   | <u>5,824,801</u>     |
| Total support and revenue   |                                       |                                    |                      |
|   | <u>6,441,654</u>                      | <u>(616,853)</u>                   | <u>5,824,801</u>     |
| <b>Expenses</b>   |                                       |                                    |                      |
| Program services, Library   | 4,855,834                             | -                                  | 4,855,834            |
| Supporting services   |                                       |                                    |                      |
| Management and general  | 653,473                               | -                                  | 653,473              |
| Fundraising   | 1,153,528                             | -                                  | 1,153,528            |
|   | <u>6,662,835</u>                      | <u>-</u>                           | <u>6,662,835</u>     |
| Total expenses  |                                       |                                    |                      |
|   | <u>6,662,835</u>                      | <u>-</u>                           | <u>6,662,835</u>     |
| <b>Change in Net Assets From<br/>Operating Activities</b>   | <u>(221,181)</u>                      | <u>(616,853)</u>                   | <u>(838,034)</u>     |
| <b>Nonoperating</b>   |                                       |                                    |                      |
| Net gains (losses) on investments   | 346,861                               | (2,782,342)                        | (2,435,481)          |
| Deficit of income earned over<br>withdrawal under spending<br>policy, net of investment<br>expenses | (610,211)                             | -                                  | (610,211)            |
|   | <u>(263,350)</u>                      | <u>(2,782,342)</u>                 | <u>(3,045,692)</u>   |
| Change in net assets from<br>nonoperating activities  |                                       |                                    |                      |
|   | <u>(263,350)</u>                      | <u>(2,782,342)</u>                 | <u>(3,045,692)</u>   |
| Change in net assets  | (484,531)                             | (3,399,195)                        | (3,883,726)          |
|   | <u>14,939,685</u>                     | <u>17,401,982</u>                  | <u>32,341,667</u>    |
| <b>Net Assets, Beginning</b>  |                                       |                                    |                      |
|   | <u>14,939,685</u>                     | <u>17,401,982</u>                  | <u>32,341,667</u>    |
| <b>Net Assets, Ending</b>   | <u>\$ 14,455,154</u>                  | <u>\$ 14,002,787</u>               | <u>\$ 28,457,941</u> |

See notes to financial statements

**Chicago Public Library Foundation**

Statement of Functional Expenses

Year Ended December 31, 2019, With Comparative Totals for the Year Ended December 31, 2018

|   | Program Services       |                   |                      |   |                    |                              | Supporting Services |                           | 2019<br>Total       | 2018<br>Total       |                     |
|---|------------------------|-------------------|----------------------|---|--------------------|------------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|
|   | Children's<br>Programs | Teen<br>Programs  | Technology<br>Access | Collections<br>and Cultural<br>Programs | Branch<br>Programs | Other<br>Library<br>Programs | Total<br>Library    | Management<br>and General |                     |                     | Fundraising         |
| Books, subscriptions and publications                     | \$ 26,293              | \$ 181            | \$ -                 | \$ 105,268                              | \$ 12,036          | \$ -                         | \$ 143,778          | \$ 20                     | \$ 2,286            | \$ 146,084          | \$ 138,503          |
| Computer hardware, software, supplies<br>and amortization | 42,427                 | 7,877             | 11,050               | -                                       | -                  | 117                          | 61,471              | 12,067                    | 50,896              | 124,434             | 213,223             |
| Conferences, meetings and training                        | 464                    | 900               | -                    | -                                       | -                  | 1,815                        | 3,179               | 64                        | 3,216               | 6,459               | 8,614               |
| Copier lease and supplies                                 | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 2,496                     | 4,406               | 6,902               | 7,857               |
| Donated services/materials                                | 90                     | 3,691             | -                    | -                                       | -                  | -                            | 3,781               | -                         | 107,194             | 110,975             | 94,690              |
| Dues, fees and memberships                                | -                      | -                 | -                    | -                                       | -                  | 179                          | 179                 | 18,272                    | 9,827               | 28,278              | 26,250              |
| Honoraria   | 227,234                | 85,845            | 13,790               | 45,100                                  | 22,709             | -                            | 394,678             | -                         | -                   | 394,678             | 318,219             |
| Insurance   | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 10,363                    | -                   | 10,363              | 10,779              |
| Marketing and promotion                                   | 47,772                 | 12,568            | -                    | 5,224                                   | 17,140             | 2,842                        | 85,546              | -                         | 101,420             | 186,966             | 166,566             |
| Office supplies   | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 6,323                     | 12,772              | 19,095              | 16,737              |
| Postage, shipping and messengers                          | 346                    | -                 | -                    | -                                       | -                  | -                            | 346                 | 624                       | 12,097              | 13,067              | 12,314              |
| Printing and design                                       | 110,339                | -                 | -                    | 38,542                                  | -                  | -                            | 148,881             | -                         | -                   | 148,881             | 134,050             |
| Professional fees:  |                        |                   |                      |   |                    |                              |                     |                           |                     |                     |                     |
| Audit and tax returns                                     | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 47,454                    | -                   | 47,454              | 46,122              |
| Grant funded positions                                    | 698,227                | 673,444           | 916,659              | -                                       | -                  | 1,196                        | 2,289,526           | -                         | -                   | 2,289,526           | 1,620,586           |
| Investment consultants                                    | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 30,441                    | -                   | 30,441              | 24,568              |
| Legal services  | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 100                       | -                   | 100                 | 2,420               |
| Other services  | 168,018                | 24,157            | 25,740               | 25,043                                  | -                  | 454,834                      | 697,792             | 32,287                    | 71,245              | 801,324             | 690,095             |
| Teachers in the Library                                   | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | -                         | -                   | -                   | 807,856             |
| Rent, telephone and utilities                             | -                      | -                 | 40,516               | -                                       | -                  | -                            | 40,516              | 18,976                    | 33,445              | 92,937              | 130,329             |
| Salaries, payroll taxes and benefits                      | -                      | -                 | -                    | -                                       | -                  | -                            | -                   | 342,746                   | 650,265             | 993,011             | 1,086,185           |
| Special events and program materials                      | 422,124                | 108,787           | 23,952               | 9,829                                   | 18,660             | 13,055                       | 596,407             | -                         | 1,671               | 598,078             | 949,041             |
| Transportation, travel and business                       | 53,470                 | 61,988            | 3,216                | 3,823                                   | 2,998              | 66,180                       | 191,675             | 5,617                     | 53,580              | 250,872             | 157,831             |
| <b>Total</b>  | <b>\$ 1,796,804</b>    | <b>\$ 979,438</b> | <b>\$ 1,034,923</b>  | <b>\$ 232,829</b>                       | <b>\$ 73,543</b>   | <b>\$ 540,218</b>            | <b>\$ 4,657,755</b> | <b>\$ 527,850</b>         | <b>\$ 1,114,320</b> | <b>\$ 6,299,925</b> | <b>\$ 6,662,835</b> |

See notes to financial statements



**Chicago Public Library Foundation**

Statement of Functional Expenses

Year Ended December 31, 2018

|  | Program Services    |                   |                     |                                   |                  |                        | Supporting Services |                        |                     |                     |
|--|---------------------|-------------------|---------------------|-----------------------------------|------------------|------------------------|---------------------|------------------------|---------------------|---------------------|
|  | Children's Programs | Teen Programs     | Technology Access   | Collections and Cultural Programs | Branch Programs  | Other Library Programs | Total Library       | Management and General | Fundraising         | Total               |
| Books, subscriptions and publications                  | \$ 23,924           | \$ -              | \$ -                | \$ 105,490                        | \$ 8,311         | \$ -                   | \$ 137,725          | \$ 137                 | \$ 641              | \$ 138,503          |
| Computer hardware, software, supplies and amortization | 85,328              | 54,741            | 11,820              | -                                 | 2,080            | -                      | 153,969             | 12,461                 | 46,793              | 213,223             |
| Conferences, meetings and training                     | 3,154               | 1,108             | -                   | -                                 | -                | 500                    | 4,762               | -                      | 3,852               | 8,614               |
| Copier lease and supplies                              | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 2,844                  | 5,013               | 7,857               |
| Donated services/materials                             | 2,277               | 12,765            | -                   | 650                               | 1,072            | -                      | 16,764              | 15,838                 | 62,088              | 94,690              |
| Dues, fees and memberships                             | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 9,724                  | 16,526              | 26,250              |
| Honoraria  | 152,818             | 89,246            | 9,777               | 41,698                            | 24,680           | -                      | 318,219             | -                      | -                   | 318,219             |
| Insurance  | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 3,940                  | 6,839               | 10,779              |
| Marketing and promotion                                | 37,328              | 19,791            | 1,000               | 2,223                             | 105              | -                      | 60,447              | -                      | 106,119             | 166,566             |
| Office supplies  | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 6,378                  | 10,359              | 16,737              |
| Postage, shipping and messengers                       | -                   | 98                | -                   | -                                 | -                | -                      | 98                  | 1,149                  | 11,067              | 12,314              |
| Printing and design                                    | 108,036             | 412               | -                   | 25,413                            | -                | -                      | 133,861             | -                      | 189                 | 134,050             |
| Professional fees:                                     |                     |                   |                     |                                   |                  |                        |                     |                        |                     |                     |
| Audit and tax returns                                  | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 46,122                 | -                   | 46,122              |
| Grant funded positions                                 | -                   | 629,671           | 990,915             | -                                 | -                | -                      | 1,620,586           | -                      | -                   | 1,620,586           |
| Investment consultants                                 | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 24,568                 | -                   | 24,568              |
| Legal services   | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 2,420                  | -                   | 2,420               |
| Other services   | 72,426              | 14,548            | 10,590              | 33,913                            | 167              | 342,512                | 474,156             | 140,480                | 75,459              | 690,095             |
| Teachers in the Library                                | 807,856             | -                 | -                   | -                                 | -                | -                      | 807,856             | -                      | -                   | 807,856             |
| Rent, telephone and utilities                          | -                   | -                 | 78,803              | -                                 | -                | -                      | 78,803              | 18,928                 | 32,598              | 130,329             |
| Salaries, payroll taxes and benefits                   | -                   | -                 | -                   | -                                 | -                | -                      | -                   | 356,300                | 729,885             | 1,086,185           |
| Special events and program materials                   | 756,324             | 120,453           | 19,697              | 4,052                             | 12,367           | 15,683                 | 928,576             | -                      | 20,465              | 949,041             |
| Transportation, travel and business                    | 52,181              | 40,006            | 3,329               | 1,895                             | 1,529            | 21,072                 | 120,012             | 12,184                 | 25,635              | 157,831             |
| <b>Total</b>   | <b>\$ 2,101,652</b> | <b>\$ 982,839</b> | <b>\$ 1,125,931</b> | <b>\$ 215,334</b>                 | <b>\$ 50,311</b> | <b>\$ 379,767</b>      | <b>\$ 4,855,834</b> | <b>\$ 653,473</b>      | <b>\$ 1,153,528</b> | <b>\$ 6,662,835</b> |

See notes to financial statements

## Chicago Public Library Foundation

### Statements of Cash Flows

Years Ended December 31, 2019 and 2018

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 2,402,594        | \$ (3,883,726)      |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: |                     |                     |
| Net (gains) losses on investments  | (4,330,534)         | 2,435,481           |
| Changes in assets and liabilities:   |                     |                     |
| Pledges receivable   | 1,069,090           | (104,144)           |
| Accrued interest/dividends receivable  | (20,478)            | (5,218)             |
| Prepaid expenses   | (1,980)             | (2,600)             |
| Accounts payable   | 180,656             | 94,993              |
|  | <u>(700,652)</u>    | <u>(1,465,214)</u>  |
| Net cash flows from operating activities   |                     |                     |
|  | <u>(700,652)</u>    | <u>(1,465,214)</u>  |
| <b>Cash Flows From Investing Activities</b>  |                     |                     |
| Purchases of investments   | (1,307,830)         | (29,009,326)        |
| Sales of investments   | 1,842,130           | 29,669,896          |
|  | <u>534,300</u>      | <u>660,570</u>      |
| Net cash flows from investing activities   |                     |                     |
|  | <u>534,300</u>      | <u>660,570</u>      |
| Net change in cash and cash equivalents  | (166,352)           | (804,644)           |
| <b>Cash and Cash Equivalents, Beginning</b>  | <u>2,976,601</u>    | <u>3,781,245</u>    |
| <b>Cash and Cash Equivalents, Ending</b>   | <u>\$ 2,810,249</u> | <u>\$ 2,976,601</u> |

See notes to financial statements

# Chicago Public Library Foundation

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Notes to Financial Statements  
December 31, 2019 and 2018

## 1. Nature of Activities and Summary of Significant Accounting Policies

### Nature of Activities

The Chicago Public Library Foundation (Foundation or CPLF) was created in 1986 by visionary civic leaders who shared a conviction that private resources are essential to keeping the outstanding Chicago Public Library (Library or CPL) truly world-class. Established in the spirit of a true public/private partnership with the City of Chicago, the Foundation is an independent, non-profit organization. As a publicly-supported entity, gifts to the Foundation are tax-deductible to the extent permitted by law. The Foundation's mission is to support collection development, programs and technology initiatives that connect Library users to their community and to the world and ensure that all Chicagoans have the freedom to read, to learn and to discover at the Chicago Public Library.

### Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. The guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation for uncertain tax positions as of December 31, 2019 and 2018. The Foundation's tax returns are subject to review and examination by federal and state authorities.

### Cash and Cash Equivalents

The Foundation considers all highly-liquid, short-term investments with a maturity of three months or less at the date of acquisition to be cash equivalents. Cash includes balances held in checking, savings and money market accounts and certificates of deposit with original maturities of three months or less, except that such instruments purchased with endowment assets are classified as investments.

The Foundation maintains cash balances in an institution which exceeds the federally insured limit of \$250,000. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

### Pledges Receivable, Net

Irrevocable unconditional promises to give to the Foundation are recorded in the year the pledge is made. The Foundation analyzed historical collection experience and reviewed the current status of pledges and other receivables to determine that no allowance for uncollectibles was required.

### Investments

Investments consist of equity funds, hedged equity funds, real asset funds, credit funds and fixed income funds. Investments are recorded at fair value based upon quoted market prices, when available. If listed prices or quotes are not available, fair value is based upon externally developed models that are unobservable inputs due to the limited market activity of the instrument. Donated investments are recorded at fair value at the date of donation, or, if sold immediately, at the amount of sales proceeds received, which is considered a fair measure of the value at the date of donation.

# Chicago Public Library Foundation

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Notes to Financial Statements  
December 31, 2019 and 2018

## Property, Equipment and Collections

The Foundation records property and equipment at cost and amortizes the cost using the straight-line method. The Foundation has adopted a policy of capitalizing collections at a nominal value in its financial statements. Although the financial statements do not disclose the cumulative value of collections, certain artwork received in 1991 as an unrestricted donation has been cataloged and preserved. Since 2003 the artwork has been displayed, on permanent loan, in the Joan W. and Irving B. Harris Theater for Music and Dance. The Theater carries a \$2 million insurance policy on this artwork.

## Net Assets

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

**Net Assets Without Donor Restrictions** - Net assets not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. The board designated funds are for programs at the libraries such as programs at the Lincoln Park branch library, support for the Teacher in the Library and other children programs.

**Net Assets With Donor Restrictions** - Net assets 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, where the donor stipulates that resources be maintained in perpetuity.

To ensure the observance of limitations and stipulations placed on the use of available resources, the Foundation maintains its internal financial accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established in accordance with their nature or purpose.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When restriction expires, 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.

## Board Designated Net Assets

The governing board has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the governing board at any time. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. The board designated funds are for programs at the libraries such as programs at the Lincoln Park branch library, support for the Teacher in the Library and other children programs.

## Operations

The Foundation's change in net assets from operating activities includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions designated for long-term investment (the donor-restricted and quasi-endowment) according to the Foundation's spending policy, which is detailed in Note 6. The measure of operations excludes investment return in excess (less than) amounts made available for current support.

# Chicago Public Library Foundation

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Notes to Financial Statements  
December 31, 2019 and 2018

## Contributions

Contributions, including unconditional pledges to give, represent amounts raised from the public and are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Gifts received for perpetual endowment funds are reported as non-operating revenues in the statement of activities. The Foundation 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.

Contributions from board members were approximately \$1,272,000 and \$2,149,000 for the years ended December 31, 2019 and 2018, respectively.

## Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services, as valued by the donors, totaled \$110,975 and \$94,690 on December 31, 2019 and 2018, respectively, and are reflected as support and expense in the statements of activities. In addition, various board members donated personal services to the Foundation. These donated services are not reflected in the financial statements since the services are not required to be recorded.

## Revenue and Revenue Recognition

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Foundation has adopted Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

## Endowment Income

The Foundation adopted a spending policy directed at meeting current operational budget requirements. The Foundation's policy has been to expend 4.5 percent of a four-year rolling average of the market value of the Foundation's investments as of each December 31, as audited.

Endowment yields that are in excess of the spending policy are returned to the endowment and reinvested. However, if endowment yields are not sufficient to support the spending policy, the balance is provided from realized capital gains. The difference between the actual yield on endowment investments and the spending rate is reported as a nonoperating excess or deficit.

# Chicago Public Library Foundation

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Notes to Financial Statements  
December 31, 2019 and 2018

## Grants to the Library

The Foundation recognizes unconditional promises to make grants to the Library as expenses in the period made. Conditional promises to give, however, are not recognized until the conditions on which they depend are substantially met. Grant obligations are measured at their fair values.

## Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These expenses include depreciation, insurance, printing and publishing, advertising and marketing, and other miscellaneous items. Depreciation and other occupancy costs are allocated based on square footage. Other allocated costs, including salaries and wages, were allocated on estimates of time and effort.

## Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## New Accounting Pronouncements, Not Yet Effective

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. During 2018, additional updates were issued which permit an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and were not previously accounted for under ASC 840; address narrow aspects of the guidance originally issued; provide entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component; and address sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and non-lease components. The Foundation will be required to apply the standard for annual periods beginning after December 15, 2020 (2021). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

# Chicago Public Library Foundation

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Notes to Financial Statements  
December 31, 2019 and 2018

## 2. Fair Value Measurements

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measure date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

### Valuation Techniques and Inputs

Level 1 - Level 1 assets include investments in mutual funds for which quoted prices are readily available.

There have been no changes in techniques and inputs used as of December 31, 2019 and 2018.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Foundation believes 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 estimate of fair value at the reporting date.

## Chicago Public Library Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2019 based upon the three-tier hierarchy:

|  | 2019                 |                      |             |             |
|--|----------------------|----------------------|-------------|-------------|
|  | Total                | Level 1              | Level 2     | Level 3     |
| Mutual funds:  |                      |                      |             |             |
| U.S. equity funds                                    | \$ 10,035,287        | \$ 10,035,287        | \$ -        | \$ -        |
| Non U.S. equity funds                                | 5,623,058            | 5,623,058            | -           | -           |
| Global equity funds                                  | 4,187,195            | 4,187,195            | -           | -           |
| Real asset funds                                     | 1,317,201            | 1,317,201            | -           | -           |
| Credit funds   | 1,162,501            | 1,162,501            | -           | -           |
| Fixed income funds                                   | 5,320,873            | 5,320,873            | -           | -           |
| Total assets recorded<br>at fair value               | 27,646,115           | <u>\$ 27,646,115</u> | <u>\$ -</u> | <u>\$ -</u> |
| Alternative investments valued<br>at net asset value | <u>31,607</u>        |                      |             |             |
| Total investments at<br>fair value                   | 27,677,722           |                      |             |             |
| Cash and cash equivalents<br>at cost                 | <u>62,203</u>        |                      |             |             |
| Total per statement of<br>financial position         | <u>\$ 27,739,925</u> |                      |             |             |



# Chicago Public Library Foundation

Notes to Financial Statements

December 31, 2019 and 2018

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of December 31, 2018 based upon the three-tier hierarchy:

|   | <b>2018</b>          |                      |                |                |
|---|----------------------|----------------------|----------------|----------------|
|   | <b>Total</b>         | <b>Level 1</b>       | <b>Level 2</b> | <b>Level 3</b> |
| Mutual funds:                                     |                      |                      |                |                |
| U.S. equity funds                                 | \$ 8,083,901         | \$ 8,083,901         | \$ -           | \$ -           |
| Non U.S. equity funds                             | 4,557,348            | 4,557,348            | -              | -              |
| Global equity funds                               | 3,534,118            | 3,534,118            | -              | -              |
| Real asset funds                                  | 1,191,222            | 1,191,222            | -              | -              |
| Credit funds                                      | 2,067,134            | 2,067,134            | -              | -              |
| Fixed income funds                                | 4,443,014            | 4,443,014            | -              | -              |
| Total assets recorded at fair value               | 23,876,737           | <u>\$ 23,876,737</u> | <u>\$ -</u>    | <u>\$ -</u>    |
| Alternative investments valued at net asset value | 46,037               |                      |                |                |
| Total investments at fair value                   | 23,922,774           |                      |                |                |
| Cash and cash equivalents at cost                 | 20,917               |                      |                |                |
| Total per statement of financial position         | <u>\$ 23,943,691</u> |                      |                |                |

The fair value of certain alternative investment funds has been estimated using Net Asset Value (NAV) as reported by the management of the fund.

As of December 31, 2019, the Foundation held two funds that are reported at NAV. The first is a hedged equity fund that is in liquidation mode with a valuation of \$27,770. The second is an absolute return fund that the Foundation sold during 2018 and are awaiting the final distribution from the sale with a valuation of \$3,837.

As of December 31, 2018, the Foundation held two funds that are reported at NAV. The first is a hedged equity fund that is in liquidation mode with a valuation of \$27,296. The second is an absolute return fund that the Foundation sold during 2018 and are awaiting the final distribution from the sale with a valuation of \$18,741.

### 3. Pledges Receivable, Net

Promises to give at December 31, 2019 and 2018 are as follows:

|                                       | <b>2019</b>       | <b>2018</b>         |
|---------------------------------------|-------------------|---------------------|
| Receivables due in less than one year | \$ 538,984        | \$ 1,363,886        |
| Receivables due in one to three years | 235,000           | 479,188             |
| Pledges receivable, net               | <u>\$ 773,984</u> | <u>\$ 1,843,074</u> |

# Chicago Public Library Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

## 4. Investments

The market value of investments held by the Foundation as of December 31, 2019 and 2018 are summarized as follows:

|                           | <u>2019</u>          | <u>2018</u>          |
|---------------------------|----------------------|----------------------|
| U.S. equity funds         | \$ 10,035,287        | \$ 8,083,901         |
| Non U.S. equity funds     | 5,623,058            | 4,557,348            |
| Global equity funds       | 4,187,195            | 3,534,118            |
| Hedged equity funds       | 31,607               | 46,037               |
| Real asset funds          | 1,317,201            | 1,191,222            |
| Credit funds              | 1,162,501            | 2,067,134            |
| Fixed income funds        | 5,320,873            | 4,443,014            |
| Cash and cash equivalents | 62,203               | 20,917               |
|                           | <u>62,203</u>        | <u>20,917</u>        |
| Total                     | <u>\$ 27,739,925</u> | <u>\$ 23,943,691</u> |

The following schedule summarizes the Foundation's investment return and related expenses on endowment funds and their classification in the statements of activities:

|   | <u>2019</u>         | <u>2018</u>           |
|---|---------------------|-----------------------|
| Investment return:  |                     |                       |
| Dividends and interest  | \$ 548,309          | \$ 500,558            |
| Less investment management fees   | 6,593               | 16,325                |
| Net   | 541,716             | 484,233               |
| Less investment yield used to support current operations                            | 1,075,984           | 1,094,444             |
| Endowment deficit   | (534,268)           | (610,211)             |
| Net gains (losses) on investments   | 4,330,534           | (2,435,481)           |
| Investment return in excess (deficit) of amounts used to support current operations | <u>\$ 3,796,266</u> | <u>\$ (3,045,692)</u> |

Investments, in general, are subject to various risks, including credit, interest rate and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the Foundation's investment balances and the amounts reported on the statements of financial position.

The Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the international equity, hedged equity markets and an equity portfolio which participates in a securities lending program. This strategy provides the Foundation with a long-term asset mix that is most likely to meet the Foundation's long-term return goals with the appropriate level of risk.

# Chicago Public Library Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Alternative investments were entered into to diversify the Foundation's portfolio. The Foundation's management, the Investment Committee of the Board of Directors and the Foundation's external investment consultant review reports provided by the general partners and hedge fund managers on a regular basis and the Foundation's external investment consultant attends meetings of the various general partners and hedge fund managers in order to evaluate the risk associated with these investments. In addition, the Foundation monitors its portfolio mix to ensure that it is in accordance with the Board of Directors' policy.

## 5. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| Subject to expenditure for specified purpose:                              |                      |                      |
| Children's programs  | \$ 923,227           | \$ 1,243,650         |
| Teen programs  | 33,725               | 738,305              |
| Technology access  | 484,241              | 498,710              |
| Collections and cultural programs  | 289,249              | 230,485              |
| Branch programs  | 287,630              | 293,366              |
| Other library programs   | 355,413              | 478,115              |
| Frazin innovation fund   | 143,613              | 142,863              |
| General support  | 330,000              | 315,000              |
|  | <u>2,847,098</u>     | <u>3,940,494</u>     |
| Endowments:  |                      |                      |
| Subject to appropriations and expenditure<br>when a specified event occurs | 4,918,934            | 1,420,411            |
| Restricted in perpetuity   | 8,641,882            | 8,641,882            |
|  | <u>13,560,816</u>    | <u>10,062,293</u>    |
| Total endowments   | <u>\$ 16,407,914</u> | <u>\$ 14,002,787</u> |

## 6. Endowment Funds

The Foundation's endowment includes both donor-restricted endowment funds [30 funds] and funds designated by the Board of Directors to function as endowments [3 funds], for a variety of purposes. As required by accounting principles generally accepted in the United States of America, 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.

The Board of Directors of the Foundation has interpreted the 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 funds absent explicit donor stipulations to the contrary. As of December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the 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. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

## Chicago Public Library Foundation

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Notes to Financial Statements

December 31, 2019 and 2018

In accordance with UPMIFA, the Foundation 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 the Foundation 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 the Foundation
7. The Investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are expected to outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio.

The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, etc.) and assigning beginning of the quarter weighting by asset class. The total return of the invested assets is expected to exceed the total return of the Allocation Index.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no underwater endowments as of December 31, 2019 and 2018.

The Foundation has an endowment distribution policy that determines a maximum spending rate of 4.5 percent applied to a rolling four year average of the fair value of endowment investments. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, the long-term goal is to achieve a rate of growth sufficient to meet the Foundation's spending needs, while maintaining the inflation-adjusted principal of the endowment funds. If actual earnings for any year are less than the current year spending rule, the deficiency is drawn from prior years' amounts that have accumulated but not been spent. The amount of investment income included in operating revenues totaled \$1,075,984 and \$1,094,444 for 2019 and 2018, respectively.

## Chicago Public Library Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

As of December 31, 2019 and 2018, we had the following endowment net asset composition by type of fund:

|  | <b>2019</b>                           |                                    |                      |
|--|---------------------------------------|------------------------------------|----------------------|
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
| Board-designated endowment funds   | \$ 1,283,545                          | \$ -                               | \$ 1,283,545         |
| Donor-restricted endowment funds:  |                                       |                                    |                      |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                     | 8,641,882                          | 8,641,882            |
| Accumulated investment gain  | -                                     | 4,918,934                          | 4,918,934            |
|  | <u>\$ 1,283,545</u>                   | <u>\$ 13,560,816</u>               | <u>\$ 14,844,361</u> |
|  |                                       |                                    |                      |
|  | <b>2018</b>                           |                                    |                      |
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
| Board-designated endowment funds   | \$ 952,400                            | \$ -                               | \$ 952,400           |
| Donor-restricted endowment funds:  |                                       |                                    |                      |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | -                                     | 8,641,882                          | 8,641,882            |
| Accumulated investment gain  | -                                     | 1,420,411                          | 1,420,411            |
|  | <u>\$ 952,400</u>                     | <u>\$ 10,062,293</u>               | <u>\$ 11,014,693</u> |

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

|  | <b>2019</b>                           |                                    |                      |
|--|---------------------------------------|------------------------------------|----------------------|
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
| Endowment net assets, beginning of year                                      | \$ 952,400                            | \$ 10,062,293                      | \$ 11,014,693        |
| Investment return, net   | 707,739                               | 4,197,913                          | 4,905,652            |
| Appropriation of endowment assets pursuant to spending-rate policy:          | -                                     | (699,390)                          | (699,390)            |
| Other changes:   |                                       |                                    |                      |
| Distribution from board-designated endowment pursuant to distribution policy | (376,594)                             | -                                  | (376,594)            |
| Endowment net assets, end of year  | <u>\$ 1,283,545</u>                   | <u>\$ 13,560,816</u>               | <u>\$ 14,844,361</u> |

# Chicago Public Library Foundation

Notes to Financial Statements

December 31, 2019 and 2018

|  | 2018                       |                         |                      |
|--|----------------------------|-------------------------|----------------------|
|  | Without Donor Restrictions | With Donor Restrictions | Total                |
| Endowment net assets, beginning of year                                      | \$ 1,215,750               | \$ 12,844,635           | \$ 14,060,385        |
| Investment return, net   | 119,638                    | (2,070,886)             | (1,951,248)          |
| Appropriation of endowment assets pursuant to spending-rate policy:          | -                          | (711,456)               | (711,456)            |
| Other changes:   |                            |                         |                      |
| Distribution from board-designated endowment pursuant to distribution policy | (382,988)                  | -                       | (382,988)            |
| Endowment net assets, end of year  | <u>\$ 952,400</u>          | <u>\$ 10,062,293</u>    | <u>\$ 11,014,693</u> |

## 7. Retirement Plan

The Foundation established a 403(b) defined contribution plan covering all employees working 30 hours or more each week, for which it makes discretionary contributions. Contributions to the plan for the years ended December 31, 2019 and 2018 were \$78,405 and \$70,368, respectively.

## 8. Special Events

The Foundation holds one significant fund raising event - an annual dinner at which the Carl Sandburg Literary Award pays tribute to a writer whose work has helped enhance the public's awareness of the written word and reflects the Foundation's and the Chicago Public Library's commitment to the freedom of all people to read, to learn and to discover. The following is a financial summary of that event:

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Contributions  | \$ 1,844,801        | \$ 2,197,035        |
| Donated services   | 236,077             | 275,008             |
| Less expenses, including costs of direct benefits to donors of \$139,500 (2019) and \$147,900 (2018) | (643,380)           | (685,320)           |
| Special event revenue, net of expenses   | <u>\$ 1,437,498</u> | <u>\$ 1,786,723</u> |

## 9. Operating Leases

Effective March 1, 2014, the Foundation signed a lease amendment to occupy office space. This lease expires June 30, 2020. Lease expense for the years ended December 31, 2019 and 2018 totaled \$36,497 and \$35,444, respectively. Future minimum lease payments are:

|                          |           |
|--------------------------|-----------|
| Year ending December 31: |           |
| 2020                     | \$ 18,337 |

# Chicago Public Library Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

In April 2016, the Foundation leased a new copier for a term of five years that expires in March 2021. Lease expense for the years ended December 31, 2019 and 2018 totaled \$6,902 and \$7,857, respectively. Future minimum lease payments are:

|                           |          |
|---------------------------|----------|
| Years ending December 31: |          |
| 2020                      | \$ 6,768 |
| 2021                      | 1,692    |
|                           | <hr/>    |
|                           | \$ 8,460 |
|                           | <hr/>    |

## 10. Liquidity and Funds Available

The Foundation has financial assets available within one year of the statement of financial position date for general expenditures as follows:

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| Cash and cash equivalents  | \$ 2,810,249         | \$ 2,976,601         |
| Accrued interest/dividends receivable  | 48,446               | 27,968               |
| Pledges receivable   | 538,984              | 1,363,886            |
| Investments available for general operations   | <u>12,895,564</u>    | <u>12,928,998</u>    |
| Financial assets available to meet cash needs<br>for general expenditures for one year | <u>\$ 16,293,243</u> | <u>\$ 17,297,453</u> |

It is the Foundation's practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Although the Foundation does not intend to spend from its board-designated investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriations process, amounts from its board-designated investments could be made available, if necessary.

## 11. Subsequent Events

The Foundation has evaluated subsequent events through June 11, 2020, which is the date the financial statements were approved and available to be issued, for events requiring recording or disclosure in the Foundation's financial statements.

In December 2019, a novel strain of coronavirus was reported in China. In the first several months of 2020, the virus and resulting disease, COVID-19, spread to the United States, including to the geographic location in which the Foundation operates. As of the date above, the Foundation's evaluation of the effects of these events is ongoing. However, subsequent to December 31, 2019, the Foundation has experienced a significant decline in their investment values.

In addition, in April 2020, the Foundation applied for and was approved for a loan pursuant to the Paycheck Protection Program ("PPP"), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Foundation received a loan in the amount of \$147,500 and there are no collateral or guarantee requirements. Under the terms of the PPP, payments will be deferred to October 2020, the loan will bear interest at 1% per annum, and will mature in April 2022. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amount may be forgiven; however, the amount and timing of any forgiveness is uncertain.

The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

**Chicago Public Library Foundation**

Changes in Net Assets With Donor Restrictions, Purpose Restrictions

Year Ended December 31, 2019

|                                   | <b>Balance<br/>January 1,<br/>2019</b> | <b>Contributions<br/>and Pledges<br/>Received</b> | <b>Special Event<br/>Revenue</b> | <b>Net Assets<br/>Released<br/>From<br/>Restrictions</b> | <b>Balance<br/>December 31,<br/>2019</b> |
|-----------------------------------|--|---|----------------------------------|--|--|
| Children's Programs               | \$ 1,243,650                           | \$ 956,623  | \$ 26,500                        | \$ 1,303,546   | \$ 923,227                               |
| Teen Programs                     | 697,140                                | 50,800  | 25,000                           | 739,215  | 33,725                                   |
| Technology Access                 | 539,875                                | 357,611   | 15,000                           | 428,245  | 484,241                                  |
| Collections and Cultural Programs | 230,485                                | 171,150   | -                                | 112,386  | 289,249                                  |
| Branch Programs                   | 293,366                                | 67,807  | -                                | 73,543   | 287,630                                  |
| Other Library Programs            | 478,115                                | 150,000   | -                                | 272,702  | 355,413                                  |
| Frazin Innovation Fund            | 142,863                                | 750   | -                                | -  | 143,613                                  |
| General Support                   | 315,000                                | -   | 50,000                           | 35,000   | 330,000                                  |
| <b>Totals</b>                     | <b>\$ 3,940,494</b>                    | <b>\$ 1,754,741</b>                               | <b>\$ 116,500</b>                | <b>\$ 2,964,637</b>                                      | <b>\$ 2,847,098</b>                      |



**Chicago Public Library Foundation**

Changes in Net Assets With Donor Restrictions, Perpetual In Nature and Net Assets Without Donor Restrictions Designated by the Board  
Year Ended December 31, 2019

|  | Principal<br>Balance at<br>January 1,<br>2019 | Contributions<br>Received<br>(Expended) | Principal<br>Balance at<br>December 31,<br>2019 | Cumulative<br>Available for<br>Long-Term<br>Investment * | Endowment<br>Balance at<br>December 31,<br>2019 |
|--|---|---|---|--|---|
| Net Assets With Donor Restrictions                   |   |   |   |  |   |
| Perpetual in Nature (Endowment)                      |   |   |   |  |   |
| AON Corporation Fund                                 | \$ 30,000                                     | \$ -                                    | \$ 30,000                                       | \$ 18,497  | \$ 48,497                                       |
| Arthur Andersen Fund I                               | 37,500  | -                                       | 37,500  | 23,266   | 60,766  |
| Arthur Andersen Fund II                              | 37,500  | -                                       | 37,500  | 23,266   | 60,766  |
| Blum-Kovler Foundation Fund                          | 1,000,000                                     | -                                       | 1,000,000                                       | 620,304  | 1,620,304                                       |
| City of Chicago Humanities Fund                      | 138,920                                       | -                                       | 138,920   | 86,272   | 225,192   |
| CPLF Gala 1998                                       | 208,000                                       | -                                       | 208,000   | 124,789  | 332,789   |
| CPLF Sandburg Awards Dinner 2000                     | 202,000                                       | -                                       | 202,000   | 80,495   | 282,495   |
| Arie & Ida Crown Memorial Fund                       | 250,000                                       | -                                       | 250,000   | 154,902  | 404,902   |
| Gaylord & Dorothy Donnelley Foundation               | 100,000                                       | -                                       | 100,000   | 61,550   | 161,550   |
| First National Bank of Chicago                       | 80,000  | -                                       | 80,000  | 49,635   | 129,635   |
| Friends of the Chicago Public Library                | 219,397                                       | -                                       | 219,397   | 120,020  | 339,417   |
| James S. Kemper Foundation Fund                      | 75,000  | -                                       | 75,000  | 46,504   | 121,504   |
| Chauncey & Marion Deering<br>McCormick Foundation    | 100,000                                       | -                                       | 100,000   | 61,660   | 161,660   |
| MacArthur Foundation Fund                            | 1,250,000                                     | -                                       | 1,250,000                                       | 775,909  | 2,025,909                                       |
| NEH Challenge Grant                                  | 599,173                                       | -                                       | 599,173   | 372,202  | 971,375   |
| John Nuveen Fund                                     | 30,000  | -                                       | 30,000  | 18,622   | 48,622  |
| Albert Pick, Jr. Fund                                | 750,000                                       | -                                       | 750,000   | 464,733  | 1,214,733                                       |
| Polk Bros. Foundation Fund                           | 60,000  | -                                       | 60,000  | 37,247   | 97,247  |
| Prince Charitable Trusts Fund                        | 150,000                                       | -                                       | 150,000   | 93,097   | 243,097   |
| Pritzker Foundation Fund I                           | 1,000,000                                     | -                                       | 1,000,000                                       | 569,346  | 1,569,346                                       |
| Pritzker Foundation Fund II                          | 1,000,000                                     | -                                       | 1,000,000                                       | 314,209  | 1,314,209                                       |
| Sagan/Hill Fund                                      | 20,000  | -                                       | 20,000  | 12,063   | 32,063  |
| Salomon Foundation Fund                              | 50,000  | -                                       | 50,000  | 31,023   | 81,023  |
| Sears Family Literature Fund                         | 150,000                                       | -                                       | 150,000   | 89,993   | 239,993   |
| WH Smith Fund  | 50,000  | -                                       | 50,000  | 31,068   | 81,068  |
| Stone Container Corporation Fund                     | 30,000  | -                                       | 30,000  | 18,582   | 48,582  |
| United Airlines Fund                                 | 100,000                                       | -                                       | 100,000   | 62,019   | 162,019   |
| Madeline Block Willner Fund                          | 50,000  | -                                       | 50,000  | 31,042   | 81,042  |
| Oprah Winfrey Fund                                   | 100,000                                       | -                                       | 100,000   | 62,031   | 162,031   |
| Laura Weber Bequest                                  | 774,392                                       | -                                       | 774,392   | 464,588  | 1,238,980                                       |
| <b>Total net assets perpetual in nature</b>          | <b>8,641,882</b>                              | <b>-</b>                                | <b>8,641,882</b>                                | <b>4,918,934</b>   | <b>13,560,816</b>                               |
| Net Assets Without Donor Restrictions                |   |   |   |  |   |
| Designated by the Board                              |   |   |   |  |   |
| Friends of the Lincoln Park Branch Library           | 130,000                                       | -                                       | 130,000   | (11,903)   | 118,097   |
| Gould Foundation                                     | 976,571                                       | -                                       | 976,571   | (37,909)   | 938,662   |
| Jesse Jones Children's Charitable<br>Remainder Trust | 223,907                                       | -                                       | 223,907   | 2,879  | 226,786   |
| <b>Total net assets designated by the Board</b>      | <b>1,330,478</b>                              | <b>-</b>                                | <b>1,330,478</b>                                | <b>(46,933)</b>  | <b>1,283,545</b>                                |
| <b>Total endowment funds</b>                         | <b>\$ 9,972,360</b>                           | <b>\$ -</b>                             | <b>\$ 9,972,360</b>                             | <b>\$ 4,872,001</b>                                      | <b>\$ 14,844,361</b>                            |

\* Board policy is to designate for investment the cumulative excess of actual investment income earned over the 4.5% spending rate in order to preserve the value of the endowment funds.

**Chicago Public Library Foundation**

Allocation of 4.5 Percent Spending Policy as Designated by the Board  
Year Ended December 31, 2019

|  | <u>General</u>    | <u>For Books<br/>and/or<br/>Programs</u> | <u>Total<br/>Expendable</u> |
|--|-------------------|--|-----------------------------|
| Net Assets With Donor Restrictions<br>(Endowment Restricted in Perpetuity) |                   |  |                             |
| AON Corporation Fund   | \$ -              | \$ 3,523                                 | \$ 3,523                    |
| Arthur Andersen Fund I   | -                 | 4,406                                    | 4,406                       |
| Arthur Andersen Fund II  | -                 | 4,406                                    | 4,406                       |
| Blum-Kovler Foundation Fund  | -                 | 117,478                                  | 117,478                     |
| City of Chicago Humanities Fund  | -                 | 16,327                                   | 16,327                      |
| CPLF Gala 1998   | -                 | 24,128                                   | 24,128                      |
| CPLF Sandburg Awards Dinner 2000   | 18,315            | 2,166                                    | 20,481                      |
| Arie & Ida Crown Memorial Fund   | -                 | 29,357                                   | 29,357                      |
| Gaylord & Dorothy Donnelley Foundation                                     | -                 | 11,713                                   | 11,713                      |
| First National Bank of Chicago   | -                 | 9,106                                    | 9,106                       |
| Friends of the Library   | -                 | 24,609                                   | 24,609                      |
| James S. Kemper Foundation Fund  | -                 | 8,810                                    | 8,810                       |
| Chauncey & Marion Deering McCormick<br>Foundation Fund                     | -                 | 11,721                                   | 11,721                      |
| MacArthur Foundation Fund  | 146,886           | -  | 146,886                     |
| NEH Challenge Grant  | -                 | 70,428                                   | 70,428                      |
| John Nuveen Fund   | -                 | 3,525                                    | 3,525                       |
| Albert Pick, Jr. Fund  | -                 | 88,073                                   | 88,073                      |
| Polk Bros. Foundation Fund   | -                 | 7,051                                    | 7,051                       |
| Prince Charitable Trusts Fund  | -                 | 17,625                                   | 17,625                      |
| Pritzker Foundation Fund I   | 113,783           | -  | 113,783                     |
| Pritzker Foundation Fund II  | 95,285            | -  | 95,285                      |
| Sagan/Hill Fund  | 2,325             | -  | 2,325                       |
| Salomon Foundation Fund  | -                 | 5,875                                    | 5,875                       |
| Sears Family Literature Fund   | -                 | 17,400                                   | 17,400                      |
| WH Smith Fund  | -                 | 5,878                                    | 5,878                       |
| Stone Container Corporation Fund   | -                 | 3,522                                    | 3,522                       |
| United Airlines Fund   | -                 | 11,747                                   | 11,747                      |
| Madeline Block Willner Fund  | -                 | 5,876                                    | 5,876                       |
| Oprah Winfrey Fund   | -                 | 11,748                                   | 11,748                      |
| Laura Weber Bequest  | -                 | 89,831                                   | 89,831                      |
|  | <u>376,594</u>    | <u>606,329</u>                           | <u>982,923</u>              |
| Board-Designated Net Assets Without Donor Restriction                      |                   |  |                             |
| Friends of Lincoln Park Branch Library                                     | -                 | 8,562                                    | 8,562                       |
| Gould Foundation   | -                 | 68,056                                   | 68,056                      |
| Jesse O. Jones Children's Charitable Remainder Trust                       | -                 | 16,443                                   | 16,443                      |
|  | <u>-</u>          | <u>93,061</u>                            | <u>93,061</u>               |
| Total endowment income expendable  | <u>\$ 376,594</u> | <u>\$ 699,390</u>                        | <u>\$ 1,075,984</u>         |