

Madison Public Library Foundation, Inc.

Financial Report

December 31, 2015

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Madison Public Library Foundation, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of Madison Public Library Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

The financial statements referred to above present fairly, in all material respects, the financial position of Madison Public Library Foundation, Inc. as of December 31, 2015 and 2014, 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.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

March 29, 2016

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,710,031	\$ 1,356,204
Restricted cash, libraries	37,250	27,722
Certificates of deposit	243,500	0
Unconditional promises to give, short-term	444,275	450,642
Prepaid expenses	8,899	7,230
	<u>2,443,955</u>	<u>1,841,798</u>
Total current assets	2,443,955	1,841,798
<b>FURNITURE AND EQUIPMENT, NET</b>	2,465	7,971
<b>OTHER ASSETS</b>		
Investments - MCF pass thru fund	5,148	1,014
Beneficial interest in assets held by MCF	4,347,293	4,448,687
Unconditional promises to give, long-term, net	70,984	403,571
	<u>4,423,425</u>	<u>4,853,272</u>
Total other assets	4,423,425	4,853,272
<b>TOTAL ASSETS</b>	<u>\$ 6,869,845</u>	<u>\$ 6,703,041</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,951	\$ 938
Grants payable	26,000	5,300
Accrued expenses	8,405	5,637
	<u>46,356</u>	<u>11,875</u>
Total current liabilities	46,356	11,875
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	339,749	423,636
Board designated - endowment	3,531,466	3,662,422
Board designated - other	627,101	452,101
	<u>4,498,316</u>	<u>4,538,159</u>
Total unrestricted	4,498,316	4,538,159
Temporarily restricted:		
Temporarily restricted - endowment	148,607	174,510
Temporarily restricted - other	1,461,368	1,323,685
	<u>1,609,975</u>	<u>1,498,195</u>
Total temporarily restricted	1,609,975	1,498,195
Permanently restricted - endowment	715,198	654,812
	<u>6,823,489</u>	<u>6,691,166</u>
Total net assets	6,823,489	6,691,166
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,869,845</u>	<u>\$ 6,703,041</u>

The accompanying notes are an integral part of these financial statements.

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**STATEMENT OF ACTIVITIES  
Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 404,123	\$ 853,105	\$ 60,386	\$ 1,317,614
Special event revenue	133,926	0	0	133,926
Investment income	3,129	0	0	3,129
Net investment loss on beneficial interest in assets held by MCF	(62,485)	(12,880)	0	(75,365)
Net assets released from restrictions:				
Restrictions released by donor	<u>728,445</u>	<u>(728,445)</u>	<u>0</u>	<u>0</u>
Total public support and revenues	1,207,138	111,780	60,386	1,379,304
Expenses:				
Program services:				
Grants	691,670	0	0	691,670
Art commission project	0	0	0	0
Capital campaigns	<u>189,950</u>	<u>0</u>	<u>0</u>	<u>189,950</u>
Total program services	881,620	0	0	881,620
Supporting services:				
Management and general	77,264	0	0	77,264
Fundraising	<u>288,097</u>	<u>0</u>	<u>0</u>	<u>288,097</u>
Total supporting services	<u>365,361</u>	<u>0</u>	<u>0</u>	<u>365,361</u>
Total expenses	<u>1,246,981</u>	<u>0</u>	<u>0</u>	<u>1,246,981</u>
Change in net assets	(39,843)	111,780	60,386	132,323
Net assets, beginning	<u>4,538,159</u>	<u>1,498,195</u>	<u>654,812</u>	<u>6,691,166</u>
Net assets, ending	<u>\$ 4,498,316</u>	<u>\$ 1,609,975</u>	<u>\$ 715,198</u>	<u>\$ 6,823,489</u>

The accompanying notes are an integral part of these financial statements.

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**STATEMENT OF ACTIVITIES  
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 541,881	\$ 619,636	\$ 135,291	\$ 1,296,808
Special event revenue	109,203	0	0	109,203
Investment income	1,929	0	0	1,929
Net investment income on beneficial interest in assets held by MCF	120,662	13,003	0	133,665
Net assets released from restrictions:				
Restrictions released by donor	<u>849,979</u>	<u>(849,979)</u>	<u>0</u>	<u>0</u>
Total public support and revenues	1,623,654	(217,340)	135,291	1,541,605
Expenses:				
Program services				
Grants	720,577	0	0	720,577
Art commission project	13,261	0	0	13,261
Capital campaigns	<u>263,359</u>	<u>0</u>	<u>0</u>	<u>263,359</u>
Total program services	997,197	0	0	997,197
Supporting services:				
Management and general	65,376	0	0	65,376
Fundraising	<u>201,048</u>	<u>0</u>	<u>0</u>	<u>201,048</u>
Total supporting services	<u>266,424</u>	<u>0</u>	<u>0</u>	<u>266,424</u>
Total expenses	<u>1,263,621</u>	<u>0</u>	<u>0</u>	<u>1,263,621</u>
Change in net assets	360,033	(217,340)	135,291	277,984
Net assets, beginning	<u>4,178,126</u>	<u>1,715,535</u>	<u>519,521</u>	<u>6,413,182</u>
Net assets, ending	<u>\$ 4,538,159</u>	<u>\$ 1,498,195</u>	<u>\$ 654,812</u>	<u>\$ 6,691,166</u>

The accompanying notes are an integral part of these financial statements.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 132,323	\$ 277,984
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,506	5,531
Net investment (income) loss on beneficial interest in assets held by MCF	75,365	(133,665)
Contributions restricted for permanent endowment	(60,386)	(135,291)
Donated investments - MCF pass thru	(90,158)	(84,752)
Increase (decrease) in cash due to changes in:		
Restricted cash, libraries	(9,528)	(15,562)
Unconditional promises to give	338,954	460,689
Prepaid expenses	(1,669)	(1,229)
Investments - MCF pass thru fund	57,447	18,789
Deposits	0	5,397
Accounts payable	11,013	(15,517)
Grants payable	20,700	(2,494)
Accrued expenses	2,768	3,999
Net cash provided by operating activities	482,335	383,879
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of and interest retained in investments - City of Madison	0	(12)
Proceeds from sales of investments - City of Madison	0	2,828
Proceeds from sales of investments - MCF pass thru	28,577	65,983
Purchase of and interest retained in certificates of deposit	(400,000)	0
Proceeds from maturities of certificates of deposit	156,500	87,640
Purchase of beneficial interest in assets held by MCF	(113,264)	(296,936)
Proceeds from beneficial interest in assets held by MCF	139,293	115,005
Net cash used in investing activities	(188,894)	(25,492)

The accompanying notes are an integral part of these financial statements.



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent endowment	<u>\$ 60,386</u>	<u>\$ 135,291</u>
Change in cash and cash equivalents	353,827	493,678
Cash and cash equivalents:		
Beginning	<u>1,356,204</u>	<u>862,526</u>
Ending	<u><u>\$ 1,710,031</u></u>	<u><u>\$ 1,356,204</u></u>
<b>SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING ACTIVITIES</b>		
Donated investments	<u><u>\$ 90,158</u></u>	<u><u>\$ 84,752</u></u>

The accompanying notes are an integral part of these financial statements.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### **NOTE A -- Nature of business and significant accounting policies**

#### **Nature of business**

Madison Public Library Foundation, Inc. (the foundation) was formed in 1993 and is incorporated as a not-for-profit organization. The foundation's purpose is to develop programming to focus attention on public library services, facilities, and needs in the Madison, Wisconsin area and to receive, manage, and distribute funds exclusively for the benefit of the Madison Public Library.

A summary of significant accounting policies follows:

#### **Basis of accounting**

The financial statements of the foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### **Basis of presentation**

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those whose use has been restricted or that have been limited by donors to a specific time period or purpose. Permanently restricted net assets are those whose use has been restricted by donors to be maintained in perpetuity.

Board-designated net assets include net assets set aside for the purpose of future expenditures specifically identified by the Board of Directors. Board-designated net assets are not considered to be restricted.

#### **Use of estimates**

The preparation of financial statements 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.

#### **Exempt status**

The foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The foundation is also exempt from Wisconsin income tax.

#### **Cash and cash equivalents**

For purposes of reporting cash flows, the organization considers all investments purchased with an original maturity of three months or less to be cash equivalents, with the exception of cash not available to the organization due to restrictions placed on it.

The foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Restricted cash, libraries

Restricted cash, libraries consists of funds held by the foundation for the benefit of the following:

	<u>2015</u>	<u>2014</u>
Monroe Street Library League	\$ 10,373	\$ 6,715
Friends of Lakeview Library	<u>26,877</u>	<u>21,007</u>
Total	<u>\$ 37,250</u>	<u>\$ 27,722</u>

#### Certificates of deposit

Certificates of deposit that mature in 12 months or less are classified as current assets on the statements of financial position. The certificates bear interest at a rate of .25% for the year ended December 31, 2015, and will mature in 2016, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

#### Unconditional promises to give

Unconditional promises to give and grants are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected.

Unconditional promises to give as of December 31, 2015 and 2014, are collectible within one to five years. Accounts no longer considered collectible by management are written off.

#### Furniture and equipment

Furniture and equipment is stated at cost. Depreciation of equipment is computed on the straight-line method based on an estimated useful life of five years.

Maintenance and repairs of furniture and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

#### Website development costs

Included in furniture and equipment are capitalized website development costs of \$14,793 as of December 31, 2015 and 2014, that are stated at cost. Amortization of website development costs is computed on the straight-line method based upon the estimated useful lives of the assets, generally three years.

Amortization expense included with depreciation expense totaled \$4,931 for each of the years ended December 31, 2015 and 2014. Accumulated amortization was \$12,328 and \$7,397 as of December 31, 2015 and 2014, respectively.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### **NOTE A -- Nature of business and significant accounting policies (Continued)**

#### **Capitalization policy**

The foundation's policy is to capitalize equipment with a unit cost of \$1,500 or greater and a useful life of more than one year.

#### **Impairment of long-lived assets**

The foundation reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

#### **Investments**

Purchased investments are recorded at fair value, and donated investments are recorded as contributions at fair value on the date of receipt. Realized gains and losses on sales of investments are determined on the basis of specific identification of the cost of the security sold.

#### **Donated services and materials**

Donated services that create or enhance non-financial assets or that require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. Donated materials are recorded at their estimated fair value in the period received.

#### **Revenue recognition**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Interest, dividends, gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless explicitly restricted by donors.

#### **Allocation of expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Reclassifications

Some items in the 2014 financial statements have been reclassified to be consistent with the current year's presentation. Special event revenue totaling \$109,203 was reclassified from contributions on the statement of activities as of December 31, 2014.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after March 29, 2016, which is the date these financial statements were available to be issued. The foundation has no responsibility to update these financial statements for events and circumstances occurring after this date.

### NOTE B -- Unconditional promises to give, net

Unconditional promises to give as of December 31, respectively, are as follows:

	<u>2015</u>	<u>2014</u>
Central Branch Capital Campaign	\$ 324,811	\$ 796,443
Pinney Branch Capital Campaign	174,673	0
Art Projects	5,000	0
Ex Libris	7,500	0
Lunch for Libraries	13,750	0
Meadowridge	0	52,500
Book Festival	9,750	10,000
Other	<u>2,775</u>	<u>37,270</u>
Total	<u>\$ 538,259</u>	<u>\$ 896,213</u>

Unconditional promises to give, net as of December 31, respectively, are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 444,275	\$ 450,642
Receivable in one to five years	<u>93,984</u>	<u>445,571</u>
Total unconditional promises to give	538,259	896,213
Less discount to net present value	(3,000)	(17,000)
Less allowance for uncollectible promises to give	<u>(20,000)</u>	<u>(25,000)</u>
Unconditional promises to give, net	<u>\$ 515,259</u>	<u>\$ 854,213</u>

Unconditional promises to give receivable in one year or more are discounted to net present value using a discount rate of 3.25% as of December 31, 2015 and 2014. Unconditional promises to give receivable in less than one year are measured at net realizable value which approximates fair value.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### NOTE C -- Furniture and equipment, net

Furniture and equipment, net is comprised of the following:

	<u>2015</u>	<u>2014</u>
Computer equipment/website	\$ 21,924	\$ 21,924
Office equipment	<u>4,195</u>	<u>4,195</u>
	26,119	26,119
Less accumulated depreciation	<u>23,654</u>	<u>18,148</u>
	<u>\$ 2,465</u>	<u>\$ 7,971</u>

Depreciation expense totaled \$5,506 and \$5,531 for the years ended December 31, 2015 and 2014, respectively.

### NOTE D -- Beneficial interest in assets held by Madison Community Foundation (MCF)

The foundation has established various agency endowments at MCF. The foundation recognizes the fair value of contributions to the agency endowments as support when received. When the foundation transfers the agency endowment funds (the Fund) to MCF, it recognizes the transfers as a decrease in cash and the balances are presented on the Statements of Financial Position as increases to beneficial interest in assets held by MCF.

Under the provisions of MCF's governing instruments and applicable regulations, the Board of Governors of MCF (the Board) have the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or foundations if, in the judgment of the Board, such direction restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by MCF or with the charitable needs of the greater Madison community.

MCF will normally distribute part of the Fund to the foundation at least annually so long as the foundation maintains its Federal tax-exempt status. This distribution policy is subject to change by the Board. The purpose of these grants will be to enable the foundation to carry out its charitable and exempt purposes. The percentage distribution is reviewed periodically by the Board and is applied to the average value of the assets in the Fund over the prior twelve quarters.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE D -- Beneficial interest in assets held by Madison Community Foundation (MCF) (Continued)

The change in beneficial interest in assets held by MCF is as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning	\$ 4,448,687	\$ 4,133,091
Transfers in	113,264	296,936
Withdrawals	(139,293)	(115,005)
Net investment income (loss)	<u>(75,365)</u>	<u>133,665</u>
Balance, ending	<u>\$ 4,347,293</u>	<u>\$ 4,448,687</u>

Included in net investment income (loss) are investment fees totaling \$50,180 and \$48,429 as of December 31, 2015 and 2014, respectively.

The balances of the individual agency endowments held at MCF as of December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 49,239	\$ 48,927
Hawthorne Branch Endowment Fund	17,474	17,597
JP Olson Book Kit Fund	12,621	13,450
Lakeview Branch Endowment Fund	67,924	72,224
Madison Library Foundation Endowment Fund	3,518,845	3,648,972
Monroe Endowment Fund	19,729	18,876
Pinney Branch Endowment Fund	18,374	17,936
Print Books Purchase Fund	93,671	99,864
Sequoia Branch Endowment Fund	250,293	228,437
South Madison Branch Endowment Fund	173,682	166,559
Central Endowment	26,611	25,664
Meadowridge Endowment	89,140	90,181
Ashman Endowment	<u>9,690</u>	<u>0</u>
Total	<u>\$ 4,347,293</u>	<u>\$ 4,448,687</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE E -- Fair value disclosure

The fair value measurement for the categories of asset and liabilities that are measured at fair value on a recurring basis are as follows:

		Fair value measurement using		
12/31/15	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	
<u>Assets</u>				
MCF pass thru fund <sup>1</sup>	\$ 5,148	\$ 0	\$ 0	\$ 5,148
Beneficial interest in assets held by MCF <sup>2</sup>	4,347,293	0	0	4,347,293
Unconditional promises to give, long-term, net <sup>3</sup>	70,984	0	70,984	0
	\$ 4,423,425	\$ 0	\$ 70,984	\$ 4,352,441

		Fair value measurement using		
12/31/14	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	
<u>Assets</u>				
MCF pass thru fund <sup>1</sup>	\$ 1,014	\$ 0	\$ 0	\$ 1,014
Beneficial interest in assets held by MCF <sup>2</sup>	4,448,687	0	0	4,448,687
Unconditional promises to give, long-term, net <sup>3</sup>	403,571	0	403,571	0
	\$ 4,853,272	\$ 0	\$ 403,571	\$ 4,449,701



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### NOTE E -- Fair value disclosure (Continued)

1. The foundation has entered into an agreement to hold funds in an MCF pass thru fund which represent donations or pledge payments received via a stock transfer. MCF has agreed to accept these donations on behalf of the Foundation. MCF sells the stock on the date it is received and remits the cash proceeds to the Foundation. The MCF pass thru fund is not actively traded and significant other observable inputs are not available. Thus, the fair value of the pass thru fund is measured at the proportional share of the underlying assets as reported to the Foundation by MCF.
2. The foundation's beneficial interest in assets held by MCF represents an agreement between the foundation and MCF in which the foundation transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the foundation by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. The change in value of the beneficial interest included in the change in net assets is reported as unrestricted investment return on the statements of activities.
3. The amount reported for unconditional promises to give, long-term, net approximates fair value based on the net present value of pledges receivable using the discount rate as described in Note B.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3):

MCF pass thru fund assets held as of December 31:

	<u>2015</u>	<u>2014</u>
Balance, beginning	\$ 1,014	\$ 1,034
Stock donations	90,158	84,752
Distributions	(85,266)	(83,934)
Fees	<u>(758)</u>	<u>(838)</u>
Balance, ending	<u>\$ 5,148</u>	<u>\$ 1,014</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### NOTE E -- Fair value disclosure (Continued)

Beneficial interest in assets held by MCF as of December 31:

	<u>2015</u>	<u>2014</u>
Balance, beginning	\$ 4,448,687	\$ 4,133,091
Transfers in	113,264	296,936
Withdrawals	(139,293)	(115,005)
Net investment income (loss)	<u>(75,365)</u>	<u>133,665</u>
Balance, ending	<u>\$ 4,347,293</u>	<u>\$ 4,448,687</u>

### NOTE F -- Grants payable

Grants payable were \$26,000 and \$5,300 as of December 31, 2015 and 2014, respectively. Grants payable as of December 31, 2015, represent board designated grants owed to the Teen Digital Creation Platform, Increase Materials and Programming to Underrepresented Library Populations, Youth Computer Coding Class, and Community Suppers and Organizing. Grants payable as of December 31, 2014, represent board designated grants owed to the Etsy Craft Entrepreneurship and Media Lab Mentorships.

### NOTE G -- Net assets

#### Net assets, unrestricted and board designated

Net assets, unrestricted and board designated consists of net assets available for operations of the foundation and net assets designated by the foundation's board of directors for the following purposes as of December 31:

	<u>2015</u>	<u>2014</u>
Judy P. Olson Book Discussion Kit Endowment	\$ 12,621	\$ 13,450
Madison Public Library Foundation Endowment	3,518,845	3,648,972
Operating Reserve	450,501	450,501
Program Venture Fund	175,000	0
Other, Board Designated	1,600	1,600
Undesignated	<u>339,749</u>	<u>423,636</u>
Total	<u>\$ 4,498,316</u>	<u>\$ 4,538,159</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE G -- Net assets (Continued)

#### Temporarily restricted net assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2015</u>	<u>2014</u>
Ashman Branch	\$ 1,608	\$ 1,647
Ashman Capital Campaign	1,897	1,897
Book Festival	18,058	0
Central Branch	19,755	12,862
Central Capital Campaign	477,423	899,647
General Library	17,088	45,890
Hawthorne Branch	1,298	1,698
Hawthorne Endowment	16,894	17,318
Lakeview Branch	18,353	13,846
Friends of Lakeview Library	26,877	21,007
Lakeview Endowment	68,674	72,324
Meadowridge Branch	7,782	5,842
Meadowridge Capital Campaign	40,001	79,996
Monroe Branch	12,521	10,795
Monroe Library League	10,373	6,715
Monroe Endowment	2,202	3,304
Pinney Branch	3,860	3,873
Pinney Capital Campaign	789,003	200,913
Pinney Endowment	17,924	18,316
Proctor Endowment	2,880	3,743
Sequoia Branch	3,491	4,319
Sequoia Endowment	27,246	41,480
South Madison Branch	2,538	13,097
South Madison Endowment	14,729	17,666
Other – Ex Libris 2016	<u>7,500</u>	<u>0</u>
Total	<u>\$ 1,609,975</u>	<u>\$ 1,498,195</u>

The foundation's solicitations for capital projects indicate that contributions received in excess of the amount needed for the particular project will be used to establish an endowment fund, the income from which can be used to support the particular library branch location.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE G -- Net assets (Continued)

#### Permanently restricted net assets

Permanently restricted net assets include assets set aside in perpetuity in accordance with donor restrictions. Permanently restricted net assets as of December 31, consist of the following:

	<u>2015</u>	<u>2014</u>
Ashman Branch Endowment Fund	\$ 10,850	\$ 0
Elizabeth Moon Proctor Scholarship & Professional Development Fund	47,446	46,321
Monroe Branch Endowment Fund	17,550	16,995
Print Books Purchase Fund	110,766	110,766
Sequoia Branch Endowment Fund	240,677	205,231
South Madison Branch Endowment Fund	168,234	158,414
Central Branch Endowment Fund	27,910	26,660
Meadowridge Branch Endowment Fund	<u>91,765</u>	<u>90,425</u>
Total	<u>\$ 715,198</u>	<u>\$ 654,812</u>

### NOTE H -- Endowment

The foundation's endowment consists of 13 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, 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 foundation has interpreted Wisconsin's enacted version of 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. However, the foundation has notified its donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin's enacted version of UPMIFA, the foundation expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the foundation's investment policies.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds fall below the level that the donor requires the foundation to retain as a fund of perpetual duration. In accordance with general accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$17,095 and \$10,902 as of December 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in prior years.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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### NOTE H -- Endowment (Continued)

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 original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the foundation must hold in perpetuity. Endowment assets also include board-designated funds that are held, as directed by the board of directors, for current and future needs. Under this policy, as approved by the board of directors, all endowment assets are invested in a manner that is intended to produce returns to fund the scholarships, print books purchases, and income streams for certain branch libraries while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the foundation relies on MCF's return strategy in which investment returns are achieved through both realized and unrealized gains/loss and interest and dividends. The foundation, through MCF, targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2015</u>			
Donor restricted endowment funds	\$ 0	\$ 148,607	\$ 715,198
Board-designated endowment funds	3,531,466	0	0
	<u>\$ 3,531,466</u>	<u>\$ 148,607</u>	<u>\$ 715,198</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2014</u>			
Donor restricted endowment funds	\$ 0	\$ 174,510	\$ 654,812
Board-designated endowment funds	3,662,422	0	0
	<u>\$ 3,662,422</u>	<u>\$ 174,510</u>	<u>\$ 654,812</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015

### NOTE H -- Endowment (Continued)

Change in endowment net asset activity by type is follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2015</u>			
Balance, beginning	\$ 3,662,422	\$ 174,510	\$ 654,812
Contributions	49,494	2,112	60,386
Amounts released for expenditure	(119,617)	(15,053)	0
Net investment loss	<u>(60,833)</u>	<u>(12,962)</u>	<u>0</u>
	<u>\$ 3,531,466</u>	<u>\$ 148,607</u>	<u>\$ 715,198</u>

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2014</u>			
Balance, beginning	\$ 3,479,795	\$ 173,104	\$ 519,521
Contributions	161,744	2,581	135,291
Amounts released for expenditure	(90,609)	(19,966)	0
Net investment income	<u>111,492</u>	<u>18,791</u>	<u>0</u>
	<u>\$ 3,662,422</u>	<u>\$ 174,510</u>	<u>\$ 654,812</u>

### NOTE I -- Mohaupt Fund for the Sequoya Branch Library

In May 2011, Alvin and Ruth Mohaupt established the Mohaupt Fund for the Sequoya Branch Library (the Mohaupt Fund). MCF holds and manages the Mohaupt Fund and treats the assets as a component fund. The balance held in the Mohaupt Fund is not included in the foundation's financial statements as MCF retains variance power over the assets. Any distributions from the Mohaupt Fund will help fund the foundation's charitable and exempt purposes. Distributions from the Mohaupt Fund totaled \$4,038 and \$3,891 for the years ended December 31, 2015 and 2014, respectively. The Mohaupt Fund had a fair value of \$80,401 and \$85,955 as of December 31, 2015 and 2014, respectively.

# **MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

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### **NOTE J -- Lease commitments**

The foundation entered into an operating lease for office space from the City of Madison which expires on July 31, 2016. The lease requires an annual payment of \$5,000 and is automatically renewable for successive one-year terms unless terminated in accordance with the lease agreement.

### **NOTE K -- Pension plan**

The foundation's Defined Contribution Employee 401(k) Safe Harbor Retirement Plan covers all employees age 18 or over. The foundation matches contributions to the plan up to 5% of the individual participant's compensation. Pension plan expense totaled \$8,636 and \$6,760 for the years ended December 31, 2015 and 2014, respectively.