

Madison Public Library Foundation, Inc.

Financial Report

December 31, 2017

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## CONTENTS

---

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities - 2017	4
Statement of activities - 2016	5
Statements of cash flows	6
Notes to financial statements	8



## 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, 2017 and 2016, 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, 2017 and 2016, 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

April 2, 2018

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 760,441	\$ 1,055,283
Restricted cash, libraries	45,608	41,922
Certificates of deposit, short-term	509,550	419,101
Unconditional promises to give, short-term	209,093	160,667
Prepaid expenses	<u>13,505</u>	<u>7,147</u>
Total current assets	1,538,197	1,684,120
<b>OTHER ASSETS</b>		
Investments - MCF pass thru fund	6,972	0
Certificates of deposit, long-term	423,302	209,551
Beneficial interest in assets held by MCF	5,934,095	5,103,010
Unconditional promises to give, long-term, net	<u>185,091</u>	<u>22,500</u>
Total other assets	<u>6,549,460</u>	<u>5,335,061</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,087,657</u>	<u>\$ 7,019,181</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,479	\$ 17,047
Grants payable	30,000	22,080
Accrued expenses	<u>9,567</u>	<u>6,863</u>
Total current liabilities	50,046	45,990
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	489,470	393,085
Board designated - endowment	4,760,345	4,135,064
Board designated - other	<u>77,820</u>	<u>267,000</u>
Total unrestricted	5,327,635	4,795,149
Temporarily restricted:		
Temporarily restricted - endowment	277,025	155,645
Temporarily restricted - other	<u>1,509,947</u>	<u>1,175,778</u>
Total temporarily restricted	1,786,972	1,331,423
Permanently restricted - endowment	<u>923,004</u>	<u>846,619</u>
Total net assets	<u>8,037,611</u>	<u>6,973,191</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,087,657</u>	<u>\$ 7,019,181</u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES Year ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 420,889	\$ 976,450	\$ 76,385	\$ 1,473,724
Special event revenue	170,717	0	0	170,717
Investment income	7,763	0	0	7,763
Net investment income on beneficial interest in assets held by MCF	722,248	146,169	0	868,417
Net assets released from restrictions:				
Restrictions released by donor	<u>667,070</u>	<u>(667,070)</u>	<u>0</u>	<u>0</u>
Total public support and revenues	1,988,687	455,549	76,385	2,520,621
Expenses:				
Program services:				
Grants	786,180	0	0	786,180
Capital campaigns	<u>280,335</u>	<u>0</u>	<u>0</u>	<u>280,335</u>
Total program services	1,066,515	0	0	1,066,515
Supporting services:				
Management and general	89,483	0	0	89,483
Fundraising	<u>300,203</u>	<u>0</u>	<u>0</u>	<u>300,203</u>
Total supporting services	<u>389,686</u>	<u>0</u>	<u>0</u>	<u>389,686</u>
Total expenses	<u>1,456,201</u>	<u>0</u>	<u>0</u>	<u>1,456,201</u>
Change in net assets	532,486	455,549	76,385	1,064,420
Net assets, beginning	<u>4,795,149</u>	<u>1,331,423</u>	<u>846,619</u>	<u>6,973,191</u>
Net assets, ending	<u>\$ 5,327,635</u>	<u>\$ 1,786,972</u>	<u>\$ 923,004</u>	<u>\$ 8,037,611</u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 460,033	\$ 387,370	\$ 131,421	\$ 978,824
Special event revenue	148,165	0	0	148,165
Investment income	3,697	0	0	3,697
Net investment income on beneficial interest in assets held by MCF	218,871	41,047	0	259,918
Net assets released from restrictions:				
Restrictions released by donor	<u>706,969</u>	<u>(706,969)</u>	<u>0</u>	<u>0</u>
Total public support and revenues	1,537,735	(278,552)	131,421	1,390,604
Expenses:				
Program services				
Grants	635,806	0	0	635,806
Capital campaigns	<u>239,872</u>	<u>0</u>	<u>0</u>	<u>239,872</u>
Total program services	875,678	0	0	875,678
Supporting services:				
Management and general	77,630	0	0	77,630
Fundraising	<u>287,594</u>	<u>0</u>	<u>0</u>	<u>287,594</u>
Total supporting services	<u>365,224</u>	<u>0</u>	<u>0</u>	<u>365,224</u>
Total expenses	<u>1,240,902</u>	<u>0</u>	<u>0</u>	<u>1,240,902</u>
Change in net assets	296,833	(278,552)	131,421	149,702
Net assets, beginning	<u>4,498,316</u>	<u>1,609,975</u>	<u>715,198</u>	<u>6,823,489</u>
Net assets, ending	<u>\$ 4,795,149</u>	<u>\$ 1,331,423</u>	<u>\$ 846,619</u>	<u>\$ 6,973,191</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,064,420	\$ 149,702
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	0	2,465
Net investment income on beneficial interest in assets held by MCF	(868,417)	(260,202)
Contributions restricted for permanent endowment	(76,385)	(131,421)
Donated investments - MCF pass thru	(41,769)	(34,917)
Proceeds from sale of donated investments - MCF pass thru	34,797	40,065
Increase (decrease) in cash due to changes in:		
Restricted cash, libraries	(3,686)	(4,672)
Unconditional promises to give	(211,017)	332,092
Prepaid expenses	(6,358)	1,752
Accounts payable	(6,568)	5,096
Grants payable	7,920	(3,920)
Accrued expenses	2,704	(1,542)
	<u>(104,359)</u>	<u>94,498</u>
Net cash provided by (used in) operating activities	(104,359)	94,498
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of and interest retained in certificates of deposit	(723,301)	(628,652)
Proceeds from maturities of certificates of deposit	419,101	243,500
Purchase of beneficial interest in assets held by MCF	(155,785)	(677,701)
Proceeds from beneficial interest in assets held by MCF	193,117	182,186
	<u>(266,868)</u>	<u>(880,667)</u>
Net cash used in investing activities	(266,868)	(880,667)

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, 2017 and 2016

---

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent endowment	<u>\$ 76,385</u>	<u>\$ 131,421</u>
Change in cash and cash equivalents	(294,842)	(654,748)
Cash and cash equivalents:		
Beginning	<u>1,055,283</u>	<u>1,710,031</u>
Ending	<u><u>\$ 760,441</u></u>	<u><u>\$ 1,055,283</u></u>
<b>SUPPLEMENTAL SCHEDULES OF NONCASH ACTIVITIES</b>		
Donated investments	<u><u>\$ 41,769</u></u>	<u><u>\$ 34,917</u></u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

---

### **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, 2017

---

### 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>2017</u>	<u>2016</u>
Monroe Street Library League	\$ 10,787	\$ 10,853
Friends of Lakeview Library	<u>34,821</u>	<u>31,069</u>
Total	<u>\$ 45,608</u>	<u>\$ 41,922</u>

#### Certificates of deposit

Certificates of deposit with original maturities greater than 3 months and remaining maturities of 12 months or less are classified as current assets on the statements of financial position. Certificates of deposit bear interest ranging from 1.25% to 1.50% (.9% to 1.5% for the year ended December 31, 2016), with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

#### Promises to give

Unconditional promises to give 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 determined the promises will not be collected.

#### Furniture and equipment

Furniture and equipment is stated at cost. Depreciation is computed on the straight-line method based on an estimated useful life of five years. Furniture and equipment was \$11,326 and was fully depreciated as of December 31, 2017 and 2016.

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

Website development costs 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. Website development costs were \$14,793 and were fully amortized as of December 31, 2017 and 2016.

#### 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

---

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

#### **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.

#### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after April 2, 2018, 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.

#### **Reclassifications**

Some items in the 2016 financial statements have been reclassified to be consistent with the current year's presentation.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE B -- Promises to give

#### Unconditional promises to give, net

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

	<u>2017</u>	<u>2016</u>
Central Branch Capital Campaign	\$ 300	\$ 27,200
Pinney Branch Capital Campaign	66,693	150,742
Making Justice	3,000	0
Bubbler Outreach	40,000	0
Bookmobile	263,000	0
Ex Libris	7,500	1,500
Lunch for Libraries	1,250	3,750
Book Festival	24,500	7,250
Other	<u>100</u>	<u>725</u>
Total	<u>\$ 406,343</u>	<u>\$ 191,167</u>

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

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 209,093	\$ 160,667
Receivable in one to five years	<u>197,250</u>	<u>30,500</u>
Total unconditional promises to give	406,343	191,167
Less discount to net present value	(12,159)	(1,000)
Less allowance for uncollectible promises to give	<u>0</u>	<u>(7,000)</u>
Unconditional promises to give, net	<u>\$ 394,184</u>	<u>\$ 183,167</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, 2017 and 2016. Unconditional promises to give receivable in less than one year are measured at net realizable value which approximates fair value.

#### Conditional promises to give

During 2017, the foundation received restricted grants totaling \$155,400 that contained donor conditions. The foundation may receive up to \$65,400 for renovations to the teen area of the Goodman South Madison Library and up to \$90,000 for renovations to the children's area of the Goodman South Madison Library. Since these grants are promises conditioned on completing the renovation work at the Goodman South Madison Library, the amounts are not recorded as contribution revenue until the donor conditions are met.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

---

### NOTE C -- 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 twenty quarters.

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

	<u>2017</u>	<u>2016</u>
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 61,612	\$ 53,424
Hawthorne Library Endowment Fund	21,468	18,863
Judy P. Olson Book Discussion Kit Fund	14,221	12,694
Lakeview Library Endowment Fund	84,009	73,618
Madison Public Library Foundation Endowment Fund	4,746,124	4,122,370
Monroe Street Brach Endowment Fund	23,771	20,342
Pinney Library Endowment Fund	24,839	19,689
Print Books Purchase Fund	105,356	94,077
Sequoia Branch Endowment Fund	342,105	283,436
South Madison Branch Endowment Fund	198,935	175,927
Central Library Endowment Fund	167,266	118,780
Meadowridge Branch Endowment Fund	117,018	92,425
Alicia Ashman Library Endowment Fund	<u>27,371</u>	<u>17,365</u>
Total	<u>\$ 5,934,095</u>	<u>\$ 5,103,010</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE D -- 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		
12/31/17	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>	\$ 6,972	\$ 0	\$ 0	\$ 6,972
Beneficial interest in assets held by MCF <sup>2</sup>	5,934,095	0	0	5,934,095
Unconditional promises to give, long-term, net <sup>3</sup>	185,091	0	185,091	0
	\$ 6,126,158	\$ 0	\$ 185,091	\$ 5,941,067

		Fair value measurement using		
12/31/16	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>	\$ 0	\$ 0	\$ 0	\$ 0
Beneficial interest in assets held by MCF <sup>2</sup>	5,103,010	0	0	5,103,010
Unconditional promises to give, long-term, net <sup>3</sup>	22,500	0	22,500	0
	\$ 5,125,510	\$ 0	\$ 22,500	\$ 5,103,010

- 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

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>2017</u>	<u>2016</u>
Balance, beginning	\$ 0	\$ 5,148
Stock donations	41,769	34,917
Distributions	(34,429)	(39,512)
Fees	(368)	(553)
Balance, ending	<u>\$ 6,972</u>	<u>\$ 0</u>

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

	<u>2017</u>	<u>2016</u>
Balance, beginning	\$ 5,103,010	\$ 4,347,293
Transfers in	155,785	677,701
Withdrawals	(193,117)	(182,186)
Net investment income	<u>868,417</u>	<u>260,202</u>
Balance, ending	<u>\$ 5,934,095</u>	<u>\$ 5,103,010</u>

Included in net investment income are investment fees totaling \$52,038 and \$47,624 as of December 31, 2017 and 2016, respectively.

### NOTE E -- Grants payable

Grants payable were \$30,000 and \$22,080 as of December 31, 2017 and 2016, respectively. Grants payable represent grants owed to the Madison Public Library for various programs.



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE F -- 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:

	2017	2016
Judy P. Olson Book Discussion Kit Endowment	\$ 14,221	\$ 12,694
Madison Public Library Foundation Endowment	4,746,124	4,122,370
Program Venture Fund	70,000	170,000
Other, Board Designated	7,820	97,000
Undesignated	489,470	393,085
 Total	 \$ 5,327,635	 \$ 4,795,149

#### 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:

	2017	2016
Ashman Branch	\$ 11,219	\$ 13,223
Ashman Endowment	4,281	0
Book Festival	42,390	17,819
Central Branch	75	(436)
Central Capital Campaign	0	28,256
Central Endowment	17,173	0
Bookmobile	263,000	0
Bubbler Outreach	40,000	0
General Library	32,623	42,748
Hawthorne Branch	1,025	2,122
Hawthorne Endowment	22,551	18,816
Lakeview Branch	15,961	18,870
Friends of Lakeview Library	34,821	31,069
Lakeview Endowment	85,006	73,618
Meadowridge Branch	12,460	8,640
Meadowridge Capital Campaign	0	14,231
Meadowridge Endowment	12,227	0
Monroe Branch	5,982	3,481
Monroe Library League	10,787	10,853
Monroe Endowment	5,019	2,417
 Carried forward	 616,600	 285,727

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

	<u>2017</u>	<u>2016</u>
Brought forward	\$ 616,600	\$ 285,727
Pinney Branch	2,173	1,033
Pinney Capital Campaign	1,025,258	956,235
Pinney Endowment	24,087	19,689
Proctor Endowment	7,208	1,538
Sequoia Branch	13,308	24,184
Sequoia Endowment	59,084	21,507
South Madison Branch	(278)	934
South Madison Endowment	39,532	16,874
Other – Ex Libris & Lunch for Libraries	<u>0</u>	<u>3,702</u>
Total	<u>\$ 1,786,972</u>	<u>\$ 1,331,423</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.

#### 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>2017</u>	<u>2016</u>
Ashman Branch Endowment Fund	\$ 24,155	\$ 18,025
Elizabeth Moon Proctor Scholarship & Professional Development Fund	50,018	48,896
Monroe Branch Endowment Fund	19,530	17,950
Print Books Purchase Fund	110,766	110,766
Sequoia Branch Endowment Fund	291,996	269,318
South Madison Branch Endowment Fund	169,057	168,259
Central Branch Endowment Fund	149,887	120,125
Meadowridge Branch Endowment Fund	<u>107,595</u>	<u>93,280</u>
Total	<u>\$ 923,004</u>	<u>\$ 846,619</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

---

### NOTE G -- 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 \$5,412 and \$16,689 as of December 31, 2017 and 2016, respectively and are related to Print Book. These deficiencies resulted from unfavorable market fluctuations that occurred in prior years.

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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### NOTE G -- Endowment (Continued)

Endowment net asset composition by type is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2017</u>			
Donor restricted endowment funds	\$ 0	\$ 277,025	\$ 923,004
Board-designated endowment funds	4,760,345	0	0
	\$ 4,760,345	\$ 277,025	\$ 923,004
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2016</u>			
Donor restricted endowment funds	\$ 0	\$ 155,645	\$ 846,619
Board-designated endowment funds	4,135,064	0	0
	\$ 4,135,064	\$ 155,645	\$ 846,619

Change in endowment net asset activity by type is follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2017</u>			
Balance, beginning	\$ 4,135,064	\$ 155,645	\$ 846,619
Contributions	78,508	5,385	76,385
Amounts released for expenditure	(157,701)	(30,820)	0
Net investment income	704,474	146,815	0
	\$ 4,760,345	\$ 277,025	\$ 923,004

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

---

### NOTE G -- Endowment (Continued)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
<u>December 31, 2016</u>			
Balance, beginning	\$ 3,531,466	\$ 148,607	\$ 715,198
Contributions	538,570	7,774	131,421
Amounts released for expenditure	(149,226)	(41,264)	0
Net investment income	<u>214,254</u>	<u>40,528</u>	<u>0</u>
	<u>\$ 4,135,064</u>	<u>\$ 155,645</u>	<u>\$ 846,619</u>

### NOTE H -- 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 \$3,996 and \$4,087 for the years ended December 31, 2017 and 2016, respectively. The Mohaupt Fund had a fair value of \$90,340 and \$80,721 as of December 31, 2017 and 2016, respectively.

### NOTE I -- Lease commitments

The foundation entered into an operating lease for office space from the City of Madison which expires on July 31, 2018. 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 J -- 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 \$10,435 and \$9,367 for the years ended December 31, 2017 and 2016, respectively.