

Madison Public Library Foundation, Inc.

Financial Report

December 31, 2019

# 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, 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 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 foundation'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 foundation'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, 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.

## **Emphasis of Matter**

As discussed in Note A to the financial statements, in 2019, the foundation adopted new accounting standards. Our opinion is not modified with respect to this matter.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

March 31, 2020

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,184,300	\$ 2,243,854
Restricted cash, libraries	47,480	48,202
Certificates of deposit	0	423,302
Unconditional promises to give, short-term	180,613	129,750
Prepaid expenses	15,419	15,017
Total current assets	2,427,812	2,860,125
<b>FURNITURE AND EQUIPMENT, NET</b>	10,586	0
<b>OTHER ASSETS</b>		
Investments - MCF pass thru fund	0	5,084
Beneficial interest in assets held by MCF	6,793,080	5,947,265
Unconditional promises to give, long-term, net	810,432	185,091
Total other assets	7,603,512	6,137,440
<b>TOTAL ASSETS</b>	<u>\$ 10,041,910</u>	<u>\$ 8,997,565</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 13,256	\$ 21,397
Accrued expenses	13,916	12,343
Total current liabilities	27,172	33,740
<b>NET ASSETS</b>		
Net assets without donor restrictions:		
Undesignated	644,096	465,431
Board designated - endowment	5,415,021	4,751,348
Board designated - other	55,000	70,000
Total net assets without donor restrictions	6,114,117	5,286,779
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use:		
Endowment	425,115	296,677
Other	2,411,691	2,451,493
Total net assets with donor restrictions - time or use	2,836,806	2,748,170
Net assets with donor restrictions - perpetual endowments	1,063,815	928,876
Total net assets with donor restrictions	3,900,621	3,677,046
Total net assets	10,014,738	8,963,825
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,041,910</u>	<u>\$ 8,997,565</u>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	Net assets without donor restrictions	Net assets with donor restrictions - time or use	Net assets with donor restrictions - perpetual endowments	Total
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 640,100	\$ 1,494,224	\$ 124,762	\$ 2,259,086
Special event revenue	191,031	0	0	191,031
Investment income, net	32,975	0	0	32,975
Net investment gain on beneficial interest in assets held by MCF	687,721	168,219	14,399	870,339
Net assets released from restrictions:				
Restrictions released by donor	<u>1,578,029</u>	<u>(1,573,807)</u>	<u>(4,222)</u>	<u>0</u>
Total public support and revenues	3,129,856	88,636	134,939	3,353,431
Expenses:				
Program services:				
Grants and library programming	981,825	0	0	981,825
Book Festival	215,896	0	0	215,896
Capital campaigns	<u>586,552</u>	<u>0</u>	<u>0</u>	<u>586,552</u>
Total program services	1,784,273	0	0	1,784,273
Supporting services:				
Management and general	147,674	0	0	147,674
Fundraising	<u>370,571</u>	<u>0</u>	<u>0</u>	<u>370,571</u>
Total supporting services	<u>518,245</u>	<u>0</u>	<u>0</u>	<u>518,245</u>
Total expenses	<u>2,302,518</u>	<u>0</u>	<u>0</u>	<u>2,302,518</u>
Change in net assets	827,338	88,636	134,939	1,050,913
Net assets, beginning	<u>5,286,779</u>	<u>2,748,170</u>	<u>928,876</u>	<u>8,963,825</u>
Net assets, ending	<u>\$ 6,114,117</u>	<u>\$ 2,836,806</u>	<u>\$ 1,063,815</u>	<u>\$ 10,014,738</u>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
Year ended December 31, 2018

	Net assets without donor restrictions	Net assets with donor restrictions - time or use	Net assets with donor restrictions - perpetual endowments	Total
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 677,604	\$ 1,959,509	\$ 17,711	\$ 2,654,824
Special event revenue	167,810	0	0	167,810
Investment income, net	17,641	0	0	17,641
Net investment income (loss) on beneficial interest in assets held by MCI	(91,764)	(22,226)	(1,983)	(115,973)
Net assets released from restrictions:				
Restrictions released by donor	994,750	(990,306)	(4,444)	0
Total public support and revenues	1,766,041	946,977	11,284	2,724,302
Expenses:				
Program services				
Grants	1,116,221	0	0	1,116,221
Book Festival	200,939	0	0	200,939
Capital campaigns	18,716	0	0	18,716
Total program services	1,335,876	0	0	1,335,876
Supporting services:				
Management and general	127,681	0	0	127,681
Fundraising	334,531	0	0	334,531
Total supporting services	462,212	0	0	462,212
Total expenses	1,798,088	0	0	1,798,088
Change in net assets	(32,047)	946,977	11,284	926,214
Net assets, beginning	5,318,826	1,801,193	917,592	8,037,611
Net assets, ending	<u>\$ 5,286,779</u>	<u>\$ 2,748,170</u>	<u>\$ 928,876</u>	<u>\$ 8,963,825</u>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2019

	Program services				Supporting services			Total expenses
	Grants and library programming	Book Festival	Capital campaigns	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:								
Salaries and benefits	\$ 19,733	\$ 102,043	\$ 48,772	\$ 170,548	\$ 44,566	\$ 244,298	\$ 288,864	\$ 459,412
Grants	891,946	0	513,000	1,404,946	0	0	0	1,404,946
Conferences and training	340	2,841	0	3,181	860	4,556	5,416	8,596
Depreciation	490	0	0	490	132	701	833	1,323
Insurance	33	441	251	725	196	1,039	1,235	1,960
Data processing and website	4,511	0	0	4,511	1,219	6,462	7,682	12,193
Fees, dues and subscriptions	812	0	508	1,320	15,897	0	15,897	17,217
Events	44,089	23,515	11,755	79,359	815	0	815	80,174
Occupancy	194	1,117	539	1,850	500	2,650	3,150	5,000
Office supplies	476	2,153	1,668	4,297	1,161	6,155	7,317	11,614
Printing and postage	2,429	1,395	228	4,052	4,052	34,407	38,459	42,511
Professional services	1,221	8,425	8,434	18,080	55,447	34,078	89,524	107,604
Professional services - direct mail	0	0	0	0	19,923	0	19,923	19,923
Author fees and related costs	12,805	73,121	0	85,926	0	0	0	85,926
Publicity and marketing	2,000	0	0	2,000	0	33,944	33,944	35,943
Travel and meals	0	845	0	845	229	1,211	1,440	2,285
Other	747	0	1,397	2,144	2,677	1,070	3,747	5,891
<b>Total expenses</b>	<b>\$ 981,825</b>	<b>\$ 215,896</b>	<b>\$ 586,552</b>	<b>\$ 1,784,273</b>	<b>\$ 147,674</b>	<b>\$ 370,571</b>	<b>\$ 518,245</b>	<b>\$ 2,302,518</b>

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



**MADISON PUBLIC LIBRARY FOUNDATION, INC.**  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 Year ended December 31, 2018

	Program services				Supporting services			Total expenses
	Grants and library programming	Book Festival	Capital campaigns	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:								
Salaries and benefits	\$ 50,291	\$ 91,552	\$ 14,223	\$ 156,066	\$ 37,962	\$ 227,772	\$ 265,734	\$ 421,800
Grants	1,010,510	0	0	1,010,510	0	0	0	1,010,510
Conferences and training	479	805	0	1,284	312	1,874	2,186	3,470
Amortization	0	0	0	0	0	0	0	0
Insurance	707	809	115	1,631	397	2,379	2,776	4,407
Data processing and website	3,762	0	230	3,992	971	5,826	6,797	10,789
Fees, dues and subscriptions	0	405	1,743	2,148	13,552	0	13,552	15,700
Events	42,459	27,276	0	69,735	0	2,875	2,875	72,610
Occupancy	569	1,100	181	1,850	450	2,700	3,150	5,000
Office supplies	2,356	1,463	249	4,068	989	5,937	6,926	10,994
Printing and postage	1,083	677	285	2,045	2,045	19,971	22,016	24,061
Professional services	0	17,868	1,282	19,150	48,421	2,984	51,405	70,555
Professional services - direct mail	0	0	0	0	0	47,330	47,330	47,330
Author fees and related costs	0	35,679	0	35,679	0	0	0	35,679
Publicity and marketing	2,398	17,263	114	19,775	19,565	10,067	29,632	49,407
Travel and meals	1,607	909	0	2,516	612	3,673	4,285	6,801
Other	0	5,133	294	5,427	2,405	1,143	3,548	8,975
<b>Total expenses</b>	<b>\$ 1,116,221</b>	<b>\$ 200,939</b>	<b>\$ 18,716</b>	<b>\$ 1,335,876</b>	<b>\$ 127,681</b>	<b>\$ 334,531</b>	<b>\$ 462,212</b>	<b>\$ 1,798,088</b>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## 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	\$ 1,050,913	\$ 926,214
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,323	0
Net investment (gain) loss on beneficial interest in assets held by MCF	(870,339)	115,973
Contributions restricted for endowment	(124,762)	(17,711)
Donated investments - MCF pass thru	(16,581)	(1,054,050)
Proceeds from sale of donated investments - MCF pass thru	21,665	1,055,938
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	(676,204)	79,343
Prepaid expenses	(402)	(1,512)
Accounts payable	(8,141)	10,918
Grants payable	0	(30,000)
Accrued expenses	1,573	2,776
Net cash provided by (used in) operating activities	(620,955)	1,087,889
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of website development costs	(11,909)	0
Proceeds from maturities of certificates of deposit	423,302	509,550
Transfers to beneficial interest in assets held by MCF	(187,671)	(325,553)
Distributions from beneficial interest in assets held by MCF	212,195	196,410
Net cash provided by investing activities	435,917	380,407
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	124,762	17,711
Change in cash, cash equivalents, and restricted cash	(60,276)	1,486,007
Cash, cash equivalents, and restricted cash:		
Beginning	2,292,056	806,049
Ending	<u>\$ 2,231,780</u>	<u>\$ 2,292,056</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 2,184,300	\$ 2,243,854
Restricted cash	47,480	48,202
Total cash, cash equivalents, and restricted cash	<u>\$ 2,231,780</u>	<u>\$ 2,292,056</u>
<b>SUPPLEMENTAL SCHEDULES OF NONCASH ACTIVITIES</b>		
Donated investments	<u>\$ 16,581</u>	<u>\$ 1,054,050</u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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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 foundation. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or use restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board-approved designations for specific purposes, projects, or investments.

#### **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 foundation 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 foundation 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, 2019

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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>2019</u>	<u>2018</u>
Monroe Street Library League	\$ 15,668	\$ 13,988
Friends of Lakeview Library	<u>31,812</u>	<u>34,214</u>
Total	<u>\$ 47,480</u>	<u>\$ 48,202</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 bore interest of 1.50%, 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, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Uncollectible promises are written off after management has used reasonable collection efforts and determined the promises will not be collected. Management has determined that an allowance for uncollectible promises to give is not necessary.

#### 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, 2019 and 2018.

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 \$26,702 and \$14,793 as of December 31, 2019 and 2018, respectively. Amortization expense was \$1,323 and \$0 for the years ended December 31, 2019 and 2018, respectively.

#### 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, 2019

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### **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 are recognized when received.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Interest, dividends, external investment fees, gains and losses on investments are reported as an increase or decrease in net assets without donor restrictions unless explicitly restricted by donors.

#### **Revenue recognition - special events**

The foundation sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are nonrefundable and are comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The foundation recognizes the exchange portion of these events in the year the event takes place (point in time), and the contribution portion immediately. The exchange portion of revenue included in special events on the statement of activities is not material to the financial statements.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

#### Expense allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Each employee of the foundation works in a primary program area. Salaries and benefits are allocated on the basis of estimates of time. Non-personnel expenses are attributed to individual programs or supporting function. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising

#### New accounting standards adopted

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Collectively, the new Topic 606 is referred to as the "new guidance."

The foundation adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. There was no cumulative adjustment to net assets as of January 1, 2019, to reflect the effect of the new guidance. The foundation applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the foundation's accounting policies for revenue recognition, previously described.

The modified retrospective method of transition requires the foundation to disclose the effect of applying the new guidance on each item included in the 2019 financial statements. There were no changes to the amounts of any line items in the statement of financial position, statement of activities, or statement of cash flows as of and for the year ended December 31, 2019, that would have been reported under the former guidance.

In November 2016, FASB issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning and ending total amounts shown on the statements of cash flows.

The foundation was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. As a result, net cash provided by operating activities previously reported increased \$2,594 for the year ended December 31, 2018 to exclude the change in restricted cash.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice. Specific cash flow issues addressed in this ASU that could apply to the entity include a) debt prepayment or debt extinguishment costs; b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; c) proceeds from the settlement of insurance claims; and d) separately identifiable cash flows and application of the predominance principle.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019 and retrospectively apply the amendments to all periods presented. The adoption of this new standard did not impact the entity's statements of cash flows.

In June 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received*, which requires an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. After a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted by a donor-imposed restriction.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2019. The adoption of this new standard did not impact the entity's financial statements.

### Subsequent events

These financial statements have not been updated for subsequent events occurring after March 31, 2020, 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 -- Promises to give

#### Unconditional promises to give

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

	<u>2019</u>	<u>2018</u>
Pinney Branch Capital Campaign	\$ 26,250	\$ 8,000
Bookmobile	197,250	268,000
Goodman South Madison Library renovations	0	51,000
Annual	500	0
John H. Lussier Charitable Lead Annuity Trust	<u>915,115</u>	<u>0</u>
Total	<u>\$ 1,139,115</u>	<u>327,000</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE B -- Promises to give (Continued)

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

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 180,613	\$ 129,750
Receivable in one to five years	617,065	197,250
Receivable in more than five years	<u>341,437</u>	<u>0</u>
Total unconditional promises to give	1,139,115	327,000
Less discount to net present value	<u>(148,070)</u>	<u>(12,159)</u>
Unconditional promises to give, net	<u>\$ 991,045</u>	<u>\$ 314,841</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, 2019 and 2018. Unconditional promises to give receivable in less than one year are measured at net realizable value which approximates fair value.

#### Split-interest agreement (Charitable Lead Annuity Trust)

Split-interest agreements are trusts or other arrangements under which donors have designated beneficiaries. The foundation is one of twenty beneficiaries of the John H. Lussier Charitable Lead Annuity Trust (CLAT). Under the CLAT, the foundation receives fixed annual annuity payments during the term of the trust, 10 years. The final distribution will be made in 2028. The foundation was notified it was a beneficiary of the CLAT in 2019 and has recognized \$816,378 in contribution revenue from the trust as of December 31, 2019, net of the discount to present value totaling \$141,464. The amounts to be received in the last year will be prorated based on the final balance held in the trust. Any changes in the discounted value of the CLAT are adjusted through the remaining pledge receivable balance and contribution revenue. Changes in the value of the CLAT will be reported on a separate line in the statements of activities when recognized.

#### 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. In 2018, the renovations for the teen area of the Goodman South Madison Library were completed and the foundation received and recorded \$65,400 as contribution revenue as the conditions were met. Renovations to the children's area of the Goodman South Madison Library totaling \$30,600 and \$59,400 were completed and the foundation received and recorded this amount as contribution revenue in 2018 and 2019, respectively. As of December 31, 2019, all conditional promises to give were received and recorded as contribution revenue.



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### 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>2019</u>	<u>2018</u>
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 68,296	\$ 61,612
Hawthorne Library Endowment Fund	24,650	21,380
Judy P. Olson Book Discussion Kit Fund	14,745	13,365
Lakeview Library Endowment Fund	123,944	110,420
Madison Public Library Foundation Endowment Fund	5,415,022	4,751,349
Monroe Street Branch Endowment Fund	26,647	23,269
Pinney Library Endowment Fund	63,834	49,790
Print Books Purchase Fund	109,105	98,928
Sequoia Branch Endowment Fund	363,800	326,618
South Madison Branch Endowment Fund	208,906	188,153
Central Library Endowment Fund	182,702	161,117
Meadowridge Branch Endowment Fund	130,458	114,087
Alicia Ashman Library Endowment Fund	53,540	27,177
Professional Development Endowment	<u>7,431</u>	<u>0</u>
Total	<u>\$ 6,793,080</u>	<u>\$ 5,947,265</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE D -- Fair value disclosure

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

		Fair value measurement using		
12/31/19	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>	6,793,080	0	0	6,793,080
Unconditional promises to give, long-term, net <sup>3</sup>	810,432	0	810,432	0
	\$ 7,603,512	\$ 0	\$ 810,432	\$ 6,793,080

		Fair value measurement using		
12/31/18	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>	\$ 5,084	\$ 0	\$ 0	\$ 5,084
Beneficial interest in assets held by MCF <sup>2</sup>	5,947,265	0	0	5,947,265
Unconditional promises to give, long-term, net <sup>3</sup>	185,091	0	185,091	0
	\$ 6,137,440	\$ 0	\$ 185,091	\$ 5,952,349

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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### 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 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>2019</u>	<u>2018</u>
Balance, beginning	\$ 5,084	\$ 6,972
Stock donations	16,581	1,054,050
Distributions	(21,499)	(1,045,398)
Fees	<u>(166)</u>	<u>(10,540)</u>
Balance, ending	<u>\$ 0</u>	<u>\$ 5,084</u>

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

	<u>2019</u>	<u>2018</u>
Balance, beginning	\$ 5,947,265	\$ 5,934,095
Transfers in	187,671	325,553
Withdrawals	(212,195)	(196,410)
Net investment income (loss)	<u>870,339</u>	<u>(115,973)</u>
Balance, ending	<u>\$ 6,793,080</u>	<u>\$ 5,947,265</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

### NOTE E -- Net assets

#### Net assets without donor restrictions

Net assets without donor restrictions 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:

	2019	2018
Madison Public Library Foundation Endowment	\$ 5,415,021	\$ 4,751,348
Program Venture Fund	55,000	70,000
Undesignated	644,096	465,431
 Total	 \$ 6,114,117	 \$ 5,286,779

#### Net assets with donor restrictions – time or use

Net assets with donor restrictions – time or use include assets set aside in accordance with donor restrictions as to time or use and are available for the following purposes as of December 31:

	2019	2018
Ashman Branch	\$ 14,767	\$ 14,604
Ashman Endowment	6,889	2,652
Book Festival	587,880	599,238
Central Branch	360	145
Central Endowment	30,702	10,273
General Library	164,383	427,567
Hawthorne Branch	3,278	1,128
Hawthorne Endowment	25,210	22,230
Judy P. Olson Book Discussion Kit Endowment	14,745	13,365
Lakeview Branch	404,393	518,861
Friends of Lakeview Library	31,812	34,214
Lakeview Endowment	123,120	110,880
Meadowridge Branch	6,759	22,103
Meadowridge Endowment	19,302	6,222
Monroe Branch	13,015	7,004
Monroe Library League	15,668	13,988
Monroe Endowment	6,266	3,688
Pinney Branch	(556)	(556)
Pinney Capital Campaign	332,732	727,204
Pinney Endowment	61,426	51,742
Professional Development Endowment	196	0
Proctor Endowment	11,724	5,041
Sequoia Branch	1,159	453
 Balance carried forward	 1,875,230	 2,592,046

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

	<u>2019</u>	<u>2018</u>
Balance brought forward	\$ 1,875,230	\$ 2,592,046
Sequoia Endowment	77,390	41,352
South Madison Branch	62,391	86,497
South Madison Endowment	48,144	28,275
John H. Lussier Charitable Lead Annuity Trust	<u>773,651</u>	<u>0</u>
Total	<u>\$ 2,836,806</u>	<u>\$ 2,748,170</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.

#### Net assets with donor restrictions – perpetual endowments

Net assets with donor restrictions – perpetual endowments include assets set aside in perpetuity in accordance with donor restrictions and as of December 31, consist of the following:

	<u>2019</u>	<u>2018</u>
Ashman Branch Endowment Fund	\$ 48,400	\$ 36,470
Elizabeth Moon Proctor Scholarship & Professional Development Fund	51,914	51,364
Monroe Branch Endowment Fund	21,040	20,020
Print Books Purchase Fund	109,104	98,927
Sequoia Branch Endowment Fund	294,456	293,041
South Madison Branch Endowment Fund	170,497	169,342
Central Branch Endowment Fund	152,043	150,792
Meadowridge Branch Endowment Fund	111,945	108,920
Judy P. Olson Endowment Fund	5,980	0
Professional Development Endowment	18,436	0
Rosemary Endowment Fund	<u>80,000</u>	<u>0</u>
Total	<u>\$ 1,063,815</u>	<u>\$ 928,876</u>

### NOTE F -- Endowments

The foundation's endowments consist 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE F -- Endowments (Continued)

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 may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an original gift value of \$110,766, a current fair value of \$109,104 and \$98,927 and a deficiency of \$1,662 and \$11,839 as of December 31, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation of the fund for certain programs that was deemed prudent by the board of directors.

The foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated \$4,222 and \$4,444 for expenditure from the underwater endowment fund during December 31, 2019 and 2018, respectively, which represents approximately 4% of the fund.

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, 2019

### NOTE F -- Endowments (Continued)

Endowment net asset composition by type is as follows:

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions - time or use</u>	<u>Net assets with donor restrictions - perpetual endowments</u>
<u>December 31, 2019</u>			
Donor restricted endowment funds	\$ 0	\$ 425,115	\$ 1,063,815
Board-designated endowment funds	<u>5,415,021</u>	<u>0</u>	<u>0</u>
	<u>\$ 5,415,021</u>	<u>\$ 425,115</u>	<u>\$ 1,063,815</u>

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions - time or use</u>	<u>Net assets with donor restrictions - perpetual endowments</u>
<u>December 31, 2018</u>			
Donor restricted endowment funds	\$ 0	\$ 296,677	\$ 928,876
Board-designated endowment funds	<u>4,751,348</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,751,348</u>	<u>\$ 296,677</u>	<u>\$ 928,876</u>

Change in endowment net asset activity by type is follows:

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions - time or use</u>	<u>Net assets with donor restrictions - perpetual endowments</u>
<u>December 31, 2019</u>			
Balance, beginning	\$ 4,751,348	\$ 296,677	\$ 928,876
Contributions	142,505	14,690	124,763
Amounts released for expenditure	(171,498)	(49,525)	(4,222)
Net investment income (loss)	<u>692,666</u>	<u>163,273</u>	<u>14,399</u>
	<u>\$ 5,415,021</u>	<u>\$ 425,115</u>	<u>\$ 1,063,815</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE F -- Endowments (Continued)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions - time or use</u>	<u>Net assets with donor restrictions - perpetual endowments</u>
<u>December 31, 2018</u>			
Balance, beginning	\$ 4,746,124	\$ 291,246	\$ 917,592
Contributions	257,536	61,578	17,711
Amounts released for expenditure	(159,398)	(34,509)	(4,444)
Net investment income (loss)	<u>(92,914)</u>	<u>(21,638)</u>	<u>(1,983)</u>
	<u>\$ 4,751,348</u>	<u>\$ 296,677</u>	<u>\$ 928,876</u>

### NOTE G -- Mohaupt Fund for the Sequoia Branch Library

In May 2011, Alvin and Ruth Mohaupt established the Mohaupt Fund for the Sequoia 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 \$3,634 and \$3,829 for the years ended December 31, 2019 and 2018, respectively. The Mohaupt Fund had a fair value of \$93,519 and \$84,810 as of December 31, 2019 and 2018, respectively.

### NOTE H -- Commitments and contingencies

#### Lease commitments

The foundation entered into an operating lease for office space from the City of Madison which expires on July 31, 2020. 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.

#### Uncertainty

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending.



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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### NOTE H -- Commitments and contingencies (Continued)

There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the foundation as of March 31, 2020, management believes that a material impact on the foundation's financial position and results of future operations is reasonably possible.

### NOTE I -- 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 \$12,961 and \$11,477 for the years ended December 31, 2019, and 2018, respectively.

### NOTE J -- Availability of financial assets and liquidity

The foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. It also receives gifts to establish endowments that will exist in perpetuity. When a donor's restrictions requires resources to be used in a particular manner or in a future period, the foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the foundation's liquidity management and reserve and surplus policy, it strives to maintain an operating reserve equal to six months of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and money market funds.

The following reflects the foundation's financial assets as of December 31, 2019 reduced by amounts not available for general use because of donor-imposed restrictions or internal designations, within one year of the statement of financial position date.

Financial assets as of December 31, 2019	\$ 10,015,905
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	(2,411,691)
Board designated endowment funds	(5,415,021)
Board designated other	(55,000)
Donor restricted endowment funds	<u>(1,488,930)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 645,263</u>