

Madison Public Library Foundation, Inc.

Financial Report

December 31, 2020

# 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, 2020 and 2019, 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, 2020 and 2019, 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.

## **Correction of Error**

As discussed in Note K to the financial statements, a certain error resulting in overstatements of amounts previously reported for unconditional promises to give, net assets with donor restrictions – time or use (other) and contributions as of December 31, 2019, was discovered by the management of the foundation during the current year. Accordingly, amounts reported for unconditional promises to give, net assets with donor restrictions – time or use (other) and contributions have been restated in the 2019 financial statements as presented to correct the error. Our opinion is not modified with respect to this matter.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

March 30, 2021

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>Restated 2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 861,907	\$ 2,177,496
Restricted cash, libraries	49,164	54,284
Certificates of deposit	908,444	0
Unconditional promises to give, short-term	172,710	180,613
Prepaid expenses	14,483	15,419
	<u>2,006,708</u>	<u>2,427,812</u>
Total current assets	2,006,708	2,427,812
<b>FURNITURE AND EQUIPMENT, NET</b>	8,998	10,586
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by MCF	7,484,365	6,793,080
Unconditional promises to give, long-term, net	687,686	740,341
	<u>8,172,051</u>	<u>7,533,421</u>
Total other assets	8,172,051	7,533,421
<b>TOTAL ASSETS</b>	<u>\$ 10,187,757</u>	<u>\$ 9,971,819</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 14,550	\$ 13,256
Accrued expenses	30,182	13,916
	<u>44,732</u>	<u>27,172</u>
Total current liabilities	44,732	27,172
<b>NET ASSETS</b>		
Net assets without donor restrictions:		
Undesignated	935,108	649,096
Board designated - endowment	5,851,065	5,415,021
Board designated - other	5,000	55,000
	<u>6,791,173</u>	<u>6,119,117</u>
Total net assets without donor restrictions	6,791,173	6,119,117
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use:		
Endowment	569,094	425,115
Other	1,718,552	2,341,600
	<u>2,287,646</u>	<u>2,766,715</u>
Total net assets with donor restrictions - time or use	2,287,646	2,766,715
Net assets with donor restrictions - perpetual endowments	1,064,206	1,058,815
	<u>3,351,852</u>	<u>3,825,530</u>
Total net assets with donor restrictions	3,351,852	3,825,530
Total net assets	<u>10,143,025</u>	<u>9,944,647</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,187,757</u>	<u>\$ 9,971,819</u>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
Year ended December 31, 2020

	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	\$ 584,894	\$ 545,957	\$ 3,729	\$ 1,134,580
Special event revenue	81,130	147,477	0	228,607
Investment income, net	8,071	0	0	8,071
Net investment income on beneficial interest in assets held by MCF	372,577	109,201	5,900	487,678
Change in value of the CLAT	0	88,856	0	88,856
Other income	7,397	0	0	7,397
Net assets released from restrictions:				
Restrictions released by donor	1,374,798	(1,370,560)	(4,238)	0
Total public support and revenues	2,428,867	(479,069)	5,391	1,955,189
Expenses:				
Program services:				
Grants and library programming	684,163	0	0	684,163
Book Festival	156,178	0	0	156,178
Capital campaigns	374,458	0	0	374,458
Total program services	1,214,799	0	0	1,214,799
Supporting services:				
Management and general	211,943	0	0	211,943
Fundraising	330,069	0	0	330,069
Total supporting services	542,012	0	0	542,012
Total expenses	1,756,811	0	0	1,756,811
Change in net assets	672,056	(479,069)	5,391	198,378
Net assets, beginning	6,119,117	2,766,715	1,058,815	9,944,647
Net assets, ending	<u>\$ 6,791,173</u>	<u>\$ 2,287,646</u>	<u>\$ 1,064,206</u>	<u>\$ 10,143,025</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	Restated Net assets with donor restrictions - time or use	Net assets with donor restrictions - perpetual endowments	Restated Total
Changes in net assets:				
Public support and revenues:				
Contributions	\$ 645,100	\$ 1,424,133	\$ 119,762	\$ 2,188,995
Special event revenue	112,304	78,727	0	191,031
Investment income, net	32,975	0	0	32,975
Net investment income on beneficial interest in assets held by MCF	687,721	168,219	14,399	870,339
Change in value of the CLAT	0	0	0	0
Other income	0	0	0	0
Net assets released from restrictions:				
Restrictions released by donor	1,656,756	(1,652,534)	(4,222)	0
Total public support and revenues	3,134,856	18,545	129,939	3,283,340
Expenses:				
Program services				
Grants	981,825	0	0	981,825
Book Festival	215,896	0	0	215,896
Capital campaigns	586,552	0	0	586,552
Total program services	1,784,273	0	0	1,784,273
Supporting services:				
Management and general	147,674	0	0	147,674
Fundraising	370,571	0	0	370,571
Total supporting services	518,245	0	0	518,245
Total expenses	2,302,518	0	0	2,302,518
Change in net assets	832,338	18,545	129,939	980,822
Net assets, beginning	5,286,779	2,748,170	928,876	8,963,825
Net assets, ending	<u>\$ 6,119,117</u>	<u>\$ 2,766,715</u>	<u>\$ 1,058,815</u>	<u>\$ 9,944,647</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, 2020

	Program services				Supporting services		Total supporting services	Total expenses
	Grants and library programming	Book Festival	Capital campaigns	Total program services	Management and general	Fundraising		
Expenses:								
Salaries and benefits	\$ 14,201	\$ 79,658	\$ 35,239	\$ 129,098	\$ 119,386	\$ 235,969	\$ 355,355	\$ 484,453
Grants	628,099	0	287,000	915,099	0	0	0	915,099
Conferences and training	395	0	0	395	366	723	1,089	1,484
Depreciation	1,136	0	0	1,136	1,052	2,079	3,131	4,267
Insurance	150	1,050	263	1,463	1,354	2,676	4,030	5,493
Data processing and website	3,001	0	0	3,001	2,775	5,486	8,261	11,262
Fees, dues and subscriptions	1,097	206	17	1,320	12,157	0	12,157	13,477
Events	17,589	22,737	45,907	86,233	0	0	0	86,233
Occupancy	133	820	379	1,332	1,232	2,435	3,667	4,999
Office supplies	135	714	382	1,231	1,139	2,251	3,390	4,621
Printing and postage	2,809	421	0	3,230	2,791	25,853	28,644	31,874
Professional services	0	10,102	5,271	15,373	65,475	510	65,985	81,358
Professional services - direct mail	0	0	0	0	0	0	0	0
Author fees and related costs	0	40,470	0	40,470	0	0	0	40,470
Publicity and marketing	1,449	0	0	1,449	0	50,894	50,894	52,343
Travel and meals	264	0	0	264	244	482	726	990
Other	13,705	0	0	13,705	3,972	711	4,683	18,388
<b>Total expenses</b>	<b>\$ 684,163</b>	<b>\$ 156,178</b>	<b>\$ 374,458</b>	<b>\$ 1,214,799</b>	<b>\$ 211,943</b>	<b>\$ 330,069</b>	<b>\$ 542,012</b>	<b>\$ 1,756,811</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, 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	8,597
Amortization	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	7,681	12,192
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	7,316	11,613
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	35,944
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 consolidated financial statements.

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**STATEMENTS OF CASH FLOWS  
Years ended December 31, 2020 and 2019

	2020	Restated 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 198,378	\$ 980,822
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,267	1,323
Net investment income on beneficial interest in assets held by MCF	(487,678)	(870,339)
Contributions restricted for endowment	(3,729)	(119,762)
Donated investments	(6,313)	(16,581)
Proceeds from sale of donated investments	6,313	21,665
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	60,558	(606,113)
Prepaid expenses	936	(402)
Accounts payable	1,294	(8,141)
Accrued expenses	16,266	1,573
Net cash used in operating activities	(209,708)	(615,955)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of website development costs	0	(11,909)
Purchase of furniture and equipment	(2,679)	0
Purchase of and interest retained in certificates of deposit	(908,444)	0
Proceeds from maturities of certificates of deposit	0	423,302
Transfers to beneficial interest in assets held by MCF	(433,786)	(187,671)
Distributions from beneficial interest in assets held by MCF	230,179	212,195
Net cash provided by (used in) investing activities	(1,114,730)	435,917
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	3,729	119,762
Change in cash, cash equivalents, and restricted cash	(1,320,709)	(60,276)
Cash, cash equivalents, and restricted cash:		
Beginning	2,231,780	2,292,056
Ending	<u>\$ 911,071</u>	<u>\$ 2,231,780</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 861,907	\$ 2,177,496
Restricted cash	49,164	54,284
Total cash, cash equivalents, and restricted cash	<u>\$ 911,071</u>	<u>\$ 2,231,780</u>
<b>SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING ACTIVITIES</b>		
Donated investments	<u>\$ 6,313</u>	<u>\$ 16,581</u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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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, 2020

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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>2020</u>	<u>2019</u>
Monroe Street Library League	\$ 15,592	\$ 15,668
South Madison Friends	6,080	6,804
Friends of Lakeview Library	<u>27,492</u>	<u>31,812</u>
Total	<u>\$ 49,164</u>	<u>\$ 54,284</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 of .34%, with penalties for early withdrawal. Any penalties for early withdrawal do 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 three to five years. Furniture and equipment was \$14,005 and \$11,326 as of December 31, 2020 and 2019, respectively. Accumulated depreciation was \$11,624 and \$11,326 as of December 31, 2020 and 2019, respectively. Depreciation expense was \$298 and \$0 for the years ended December 31, 2020 and 2019, respectively.

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 as of December 31, 2020 and 2019 and is included in furniture and equipment, net on the statements of financial position. Accumulated amortization was \$20,085 and \$16,116 as of December 31, 2020 and 2019, respectively. Amortization expense was \$3,969 and \$1,323 for the years ended December 31, 2020 and 2019, respectively.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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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 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 statements of activities is not material to the financial statements.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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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. Certain other indirect, non-personnel costs are allocated by using the percentage of estimated staff time spent on program-related matters or supporting services (management and general) and applying those percentages to the allocation of other costs.

#### **New accounting standards adopted**

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 Made*, which requires an entity to determine whether a transfer of assets to a recipient is a contribution or an exchange transaction and then determine whether a transfer that is a contribution is conditional. 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.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2020. The adoption of this new standard did not have a material impact on the entity's financial statements.

In August 2018, FASB issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*, which removes or modifies certain disclosure requirements about recurring or nonrecurring fair value measurements.

The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2020. The adoption of this new standard requires the narrative description of measurement uncertainty surrounding the use of significant unobservable inputs for Level 3 fair value measurements to be applied prospectively. The entity is required to apply all other disclosure changes retrospectively to all periods presented. The disclosure of the activity within the beneficial interest in assets held by Madison Community Foundation was removed.

#### **Reclassifications**

Some items in the 2019 financial statements have been reclassified to be consistent with the current year's presentation.

#### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after March 30, 2021, 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### NOTE B -- Promises to give

#### Unconditional promises to give

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

	<u>2020</u>	<u>Restated 2019</u>
Pinney Branch Capital Campaign	\$ 7,500	\$ 26,250
Bookmobile	130,500	197,250
Annual	2,500	500
Other	2,597	0
John H. Lussier Charitable Lead Annuity Trust (CLAT)	<u>812,746</u>	<u>819,502</u>
Total	<u>\$ 955,843</u>	<u>\$ 1,043,502</u>

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

	<u>2020</u>	<u>Restated 2019</u>
Receivable in less than one year	\$ 172,710	\$ 180,613
Receivable in one to five years	544,065	617,065
Receivable in more than five years	<u>239,068</u>	<u>245,824</u>
Total unconditional promises to give	955,843	1,043,502
Less discount to net present value	<u>(95,447)</u>	<u>(122,548)</u>
Unconditional promises to give, net	<u>\$ 860,396</u>	<u>\$ 920,954</u>

Unconditional promises to give (excluding the CLAT) receivable in one year or more are discounted to net present value using a discount rate of 3.25% as of December 31, 2020 and 2019. The discount rate used for the CLAT was 2.75% and 3.25% as of December 31, 2020 and 2019, respectively. 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 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 amounts to be received in the last year will be prorated based on the final balance held in the trust. The foundation was notified it was a beneficiary of the CLAT in 2019. Any changes in the discounted value of the CLAT are adjusted through the remaining unconditional promise to give balance and contribution revenue. The unconditional promise to give, net of the discount to present value, was \$719,376 and \$703,560 as of December 31, 2020 and 2019, respectively. The change in the value of the CLAT totaled \$88,856 and \$0 for the years ended December 31, 2020 and 2019, respectively and is included on the statements of activities.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 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>2020</u>	<u>2019</u>
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 70,356	\$ 68,296
Hawthorne Library Endowment Fund	26,147	24,650
Judy P. Olson Book Discussion Kit Fund	22,072	14,745
Lakeview Library Endowment Fund	130,878	123,944
Madison Public Library Foundation Endowment Fund	5,851,065	5,415,022
Monroe Street Branch Endowment Fund	28,835	26,647
Pinney Library Endowment Fund	158,380	63,834
Print Books Purchase Fund	111,990	109,105
Sequoia Branch Endowment Fund	377,135	363,800
South Madison Branch Endowment Fund	215,515	208,906
Central Library Endowment Fund	191,716	182,702
Meadowridge Branch Endowment Fund	136,324	130,458
Alicia Ashman Library Endowment Fund	57,909	53,540
Professional Development Endowment	20,936	7,431
Rosemary Lee Endowment Fund	<u>85,107</u>	<u>0</u>
Total	<u>\$ 7,484,365</u>	<u>\$ 6,793,080</u>



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 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		
12/31/20	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	
<u>Assets</u>				
Beneficial interest in assets held by MCF <sup>1</sup>	\$ 7,484,365	\$ 0	\$ 0	\$ 7,484,365
Unconditional promise to give, net - CLAT <sup>2</sup>	719,376	0	719,376	0
	\$ 8,203,741	\$ 0	\$ 719,376	\$ 7,484,365

		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>				
Beneficial interest in assets held by MCF <sup>1</sup>	\$ 6,793,080	\$ 0	\$ 0	\$ 6,793,080
Unconditional promise to give, net - CLAT <sup>2</sup>	703,560	0	703,560	0
	\$ 7,496,640	\$ 0	\$ 703,560	\$ 6,793,080

1. 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.
2. The CLAT is valued by the underlying investments which are derived from quoted prices in active markets for identical assets. The foundation records its share (1/20<sup>th</sup>) of the value provided by the trustee. In addition, the amount reported is based on the net present value of the CLAT using the discount rate as described in Note B.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 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:

	2020	2019
Madison Public Library Foundation Endowment	\$ 5,851,065	\$ 5,415,021
Program Venture Fund	5,000	55,000
Undesignated	935,108	649,096
 Total	 \$ 6,791,173	 \$ 6,119,117

#### 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:

	2020	Restated 2019
Ashman Branch	\$ 6,253	\$ 14,767
Ashman Endowment	9,114	6,889
Book Festival	550,615	587,880
Central Branch	315	360
Central Endowment	39,523	30,702
General Library	48,450	164,383
Hawthorne Branch	363	3,278
Hawthorne Endowment	26,147	25,210
Judy P. Olson Book Discussion Kit Endowment	15,902	14,745
Lakeview Branch	312,945	404,393
Friends of Lakeview Library	27,492	31,812
Lakeview Endowment	130,878	123,120
Meadowridge Branch	7,632	6,759
Meadowridge Endowment	23,614	19,302
Monroe Branch	9,382	13,015
Monroe Library League	15,592	15,668
Monroe Endowment	7,175	6,266
Pinney Branch	5,727	(556)
Pinney Capital Campaign	0	332,732
Pinney Endowment	158,380	61,426
Print Books Purchase	1,224	0
Professional Development Endowment	2,196	196
Proctor Endowment	18,442	11,724
 Balance carried forward	 1,417,361	 1,874,071

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

	2020	Restated 2019
Balance brought forward	\$ 1,417,361	\$ 1,874,071
Rosemary Lee Endowment	9,607	0
Sequoia Branch	1,305	1,159
Sequoia Endowment	82,044	77,390
South Madison Branch	7,025	55,587
South Madison Friends	6,080	6,804
South Madison Endowment	44,848	48,144
John H. Lussier Charitable Lead Annuity Trust	719,376	703,560
Total	\$ 2,287,646	\$ 2,766,715

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:

	2020	2019
Ashman Branch Endowment Fund	\$ 48,795	\$ 48,400
Elizabeth Moon Proctor Scholarship & Professional Development Fund	51,914	51,914
Monroe Branch Endowment Fund	21,660	21,040
Print Books Purchase Fund	110,766	109,104
Sequoia Branch Endowment Fund	295,091	294,456
South Madison Branch Endowment Fund	170,667	170,497
Central Branch Endowment Fund	152,193	152,043
Meadowridge Branch Endowment Fund	112,710	111,945
Judy P. Olson Endowment Fund	6,170	5,980
Professional Development Endowment	18,740	18,436
Rosemary Lee Endowment Fund	75,500	75,000
Total	\$ 1,064,206	\$ 1,058,815

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### NOTE F -- Endowments

The foundation's endowments consist of 14 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 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 \$110,766 and \$109,104 and a deficiency of \$0 and \$1,662 as of December 31, 2020 and 2019, respectively. A deficiency results 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 \$4,238 and \$4,222 for expenditure from the underwater endowment fund during December 31, 2020 and 2019, 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, 2020

### 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, 2020</u>			
Donor restricted endowment funds	\$ 0	\$ 569,094	\$ 1,064,206
Board-designated endowment funds	<u>5,851,065</u>	<u>0</u>	<u>0</u>
	<u>\$ 5,851,065</u>	<u>\$ 569,094</u>	<u>\$ 1,064,206</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, 2019</u>			
Donor restricted endowment funds	\$ 0	\$ 425,115	\$ 1,058,815
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>\$ 1,058,815</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, 2020</u>			
Balance, beginning	\$ 5,415,021	\$ 425,115	\$ 1,058,815
Contributions	248,367	83,660	3,729
Amounts released for expenditure	(184,897)	(48,882)	(4,238)
Net investment income	<u>372,574</u>	<u>109,201</u>	<u>5,900</u>
	<u>\$ 5,851,065</u>	<u>\$ 569,094</u>	<u>\$ 1,064,206</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### NOTE F -- Endowments (Continued)

	Net assets without donor restrictions	Net assets with donor restrictions - time or use	Net assets with donor restrictions - perpetual endowments
<u>December 31, 2019</u>			
Balance, beginning	\$ 4,751,348	\$ 296,677	\$ 928,876
Contributions	142,505	14,690	119,762
Amounts released for expenditure	(171,498)	(49,525)	(4,222)
Net investment income	<u>692,666</u>	<u>163,273</u>	<u>14,399</u>
	<u>\$ 5,415,021</u>	<u>\$ 425,115</u>	<u>\$ 1,058,815</u>

### NOTE G -- 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 \$3,646 and \$3,634 for the years ended December 31, 2020 and 2019, respectively. The Mohaupt Fund had a fair value of \$95,977 and \$93,519 as of December 31, 2020 and 2019, 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, 2021. 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

In March 2020, the World Health Organization (WHO) characterized the coronavirus disease (COVID-19) as a global pandemic. Since that time, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic 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. 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 30, 2021, management believes that a material impact on the foundation's financial position and results of future operations is reasonably possible.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

#### Paycheck Protection Program

On April 16, 2020, the foundation received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP Lender), for an aggregate principal amount of \$79,375 (the PPP Loan). The foundation obtained forgiveness of the PPP Loan on December 21, 2020 and recognized it as contribution revenue in the statements of activities. The SBA retains the right to review the eligibility of any borrower, regardless of the size of the loan. If the SBA subsequently determines the borrower was ineligible for the PPP loan after forgiveness, the borrower must immediately repay the loan to the lender.

### 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 \$14,037 and \$12,961 for the years ended December 31, 2020, and 2019, respectively.

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

The following reflects the foundation's financial assets as of December 31, 2020 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:

	<u>2020</u>	<u>2019</u>
Financial assets as of December 31, 2020	\$ 10,164,276	\$ 9,945,814
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(1,718,552)	(2,341,600)
Board designated endowment funds	(5,851,065)	(5,415,021)
Board designated other	(5,000)	(55,000)
Donor restricted endowment funds	<u>(1,633,300)</u>	<u>(1,483,930)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 956,359</u>	<u>\$ 650,263</u>

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 require 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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### NOTE K -- Prior period adjustment

During 2020, management determined that the foundation had received a payment of \$95,613 from the CLAT (referenced in Note B) in December 2019 and recorded the amount as contribution revenue rather than reducing the related unconditional promise to give as of December 31, 2019. In addition, the calculation of the discount on the receivable balance of the CLAT did not factor in the December 2019 payment and as such the discount was overstated by \$25,522. This error resulted in an overstatement of the amount previously reported for unconditional promises to give, net, an overstatement of the amount previously reported for net assets with donor restrictions – time or use (other) and an overstatement of an amount previously reported as contribution revenue as of December 31, 2019.

The 2019 change in net assets has decreased by \$70,091 in connection with this transaction.

The effect of the prior period adjustment on the financial statements is summarized below.

#### Statement of financial position

As of December 31, 2019

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Assets:			
Unconditional promises to give, long-term, net	\$ 810,432	\$ 740,341	\$ (70,091)
Net assets:			
Net assets with donor restrictions – time or use			
Other	\$ 2,411,691	\$ 2,341,600	\$ (70,091)

#### Statement of activities

Year ended December 31, 2019

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Public support and revenues:			
Contributions – with donor restrictions (time/use)	\$ 1,494,224	\$ 1,424,133	\$ (70,091)

#### Statement of cash flows

Year ended December 31, 2019

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Cash flows from operating activities:			
Change in net assets	\$ 1,050,913	\$ 980,822	\$ (70,091)
Unconditional promises to give	\$ (676,204)	\$ (606,113)	\$ 70,091



**MADISON PUBLIC LIBRARY FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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**NOTE L -- Subsequent event**

On February 5, 2021, the foundation received \$81,240 in loan proceeds under the PPP and is subject to the terms, conditions, and requirements of the SBA Paycheck Protection Program under Section 7(a) of the Small Business Act Loan program. It is management's intention to use the proceeds from this note in accordance with the PPP and anticipate that the loan proceeds and interest will be forgiven in 2021. Any portion that does not qualify for forgiveness would convert to a note payable that carries a 1% interest rate and a 5-year term.