

Madison Public Library Foundation, Inc.

Financial Report

December 31, 2021

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Madison Public Library Foundation, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our 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, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Madison Public Library Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Correction of Error

As discussed in Note K to the financial statements, certain errors resulting in overstatements and understatements of amounts previously reported for unconditional promises to give, net assets with donor restrictions and net assets without donor restrictions as of December 31, 2020, were discovered by management of the organization during the current year. Accordingly, amounts reported for unconditional promises to give, net assets with donor restrictions and net assets without donor restrictions have been restated in the 2020 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2019, to correct the error. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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#### Madison, WI

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

Phone: (608) 831-8181  
Fax: (608) 831-4243

#### Brookfield, WI

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

Phone: (262) 641-6888  
Fax: (262) 641-6880

#### Colorado Springs, CO

P.O. Box 62786  
Colorado Springs, CO 80962

Phone: (719) 413-5551

#### Contact Us:

Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)  
Web: [SVAaccountants.com](http://SVAaccountants.com)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Madison Public Library Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Madison Public Library Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Madison Public Library Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin  
April 4, 2022

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	Restated 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,037,455	\$ 861,907
Restricted cash, libraries	63,000	49,164
Certificates of deposit	0	908,444
Unconditional promises to give, short-term	183,304	172,710
Prepaid expenses	19,264	14,483
Total current assets	2,303,023	2,006,708
<b>FURNITURE AND EQUIPMENT, NET</b>	8,304	8,998
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by MCF	8,736,705	7,484,365
Unconditional promises to give, long-term, net	474,374	616,165
Total other assets	9,211,079	8,100,530
<b>TOTAL ASSETS</b>	<u>\$ 11,522,406</u>	<u>\$ 10,116,236</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 30,428	\$ 14,550
Accrued expenses	34,530	30,182
Total current liabilities	64,958	44,732
<b>NET ASSETS</b>		
Net assets without donor restrictions:		
Undesignated	820,517	580,079
Board designated - endowment	6,776,619	5,851,065
Board designated - other	5,000	5,000
Total net assets without donor restrictions	7,602,136	6,436,144
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use:		
Endowment	878,581	569,094
Other	1,895,226	2,002,060
Total net assets with donor restrictions - time or use	2,773,807	2,571,154
Net assets with donor restrictions - perpetual endowments	1,081,505	1,064,206
Total net assets with donor restrictions	3,855,312	3,635,360
Total net assets	11,457,448	10,071,504
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,522,406</u>	<u>\$ 10,116,236</u>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
Year ended December 31, 2021

	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	\$ 739,758	\$ 555,537	\$ 17,299	\$ 1,312,594
Special event revenue	102,971	93,535	0	196,506
Investment income, net	2,397	0	0	2,397
Net investment income on beneficial interest in assets held by MCF	1,055,468	293,833	0	1,349,301
Other income	22,246	0	0	22,246
Net assets released from restrictions:				
Restrictions released by donor	740,252	(740,252)	0	0
<b>Total public support and revenues</b>	<b>2,663,092</b>	<b>202,653</b>	<b>17,299</b>	<b>2,883,044</b>
Expenses:				
Program services:				
Grants and library programming	759,909	0	0	759,909
Book Festival	236,562	0	0	236,562
Capital campaigns	823	0	0	823
<b>Total program services</b>	<b>997,294</b>	<b>0</b>	<b>0</b>	<b>997,294</b>
Supporting services:				
Management and general	176,936	0	0	176,936
Fundraising	322,870	0	0	322,870
<b>Total supporting services</b>	<b>499,806</b>	<b>0</b>	<b>0</b>	<b>499,806</b>
<b>Total expenses</b>	<b>1,497,100</b>	<b>0</b>	<b>0</b>	<b>1,497,100</b>
<b>Change in net assets</b>	<b>1,165,992</b>	<b>202,653</b>	<b>17,299</b>	<b>1,385,944</b>
<b>Net assets, beginning</b>	<b>6,436,144</b>	<b>2,571,154</b>	<b>1,064,206</b>	<b>10,071,504</b>
<b>Net assets, ending</b>	<b>\$ 7,602,136</b>	<b>\$ 2,773,807</b>	<b>\$ 1,081,505</b>	<b>\$ 11,457,448</b>

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

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Restated 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	\$ 554,394	\$ 593,792	\$ 3,729	\$ 1,151,915
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
Other income	7,397	0	0	7,397
Net assets released from restrictions:				
Restrictions released by donor	<u>1,426,982</u>	<u>(1,422,744)</u>	<u>(4,238)</u>	<u>0</u>
Total public support and revenues	2,450,551	(572,274)	5,391	1,883,668
Expenses:				
Program services				
Grants	684,163	0	0	684,163
Book Festival	156,178	0	0	156,178
Capital campaigns	<u>374,458</u>	<u>0</u>	<u>0</u>	<u>374,458</u>
Total program services	1,214,799	0	0	1,214,799
Supporting services:				
Management and general	211,943	0	0	211,943
Fundraising	<u>330,069</u>	<u>0</u>	<u>0</u>	<u>330,069</u>
Total supporting services	<u>542,012</u>	<u>0</u>	<u>0</u>	<u>542,012</u>
Total expenses	<u>1,756,811</u>	<u>0</u>	<u>0</u>	<u>1,756,811</u>
Change in net assets	693,740	(572,274)	5,391	126,857
Net assets, beginning, as originally reported	6,119,117	2,766,715	1,058,815	9,944,647
Prior period adjustments - see Note K	<u>(376,713)</u>	<u>376,713</u>	<u>0</u>	<u>0</u>
Net assets, beginning, as restated	<u>5,742,404</u>	<u>3,143,428</u>	<u>1,058,815</u>	<u>9,944,647</u>
Net assets, ending	<u>\$ 6,436,144</u>	<u>\$ 2,571,154</u>	<u>\$ 1,064,206</u>	<u>\$ 10,071,504</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, 2021

	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	\$ 15,366	\$ 114,037	\$ 0	\$ 129,403	\$ 115,931	\$ 245,619	\$ 361,550	\$ 490,953
Grants	643,184	0	0	643,184	0	0	0	643,184
Conferences and training	451	0	0	451	404	855	1,259	1,710
Depreciation	928	446	0	1,374	1,231	2,609	3,840	5,214
Insurance	1,464	0	0	1,464	1,312	2,780	4,092	5,556
Data processing and website	1,953	0	0	1,953	1,750	3,708	5,458	7,411
Fees, dues and subscriptions	0	25	0	25	0	16,083	16,083	16,108
Events	56,366	16,310	0	72,676	0	0	0	72,676
Occupancy	1,318	0	0	1,318	1,181	2,501	3,682	5,000
Office supplies	1,193	0	0	1,193	1,069	2,265	3,334	4,527
Printing and postage	2,990	171	0	3,161	2,990	23,948	26,938	30,099
Professional services	678	0	0	678	42,945	1,288	44,233	44,911
Author fees and related costs	0	80,957	0	80,957	0	0	0	80,957
Publicity and marketing	25,083	22,421	823	48,327	0	19,566	19,566	67,893
Travel and meals	403	2,195	0	2,598	361	764	1,125	3,723
Other	8,532	0	0	8,532	7,762	884	8,646	17,178
<b>Total expenses</b>	<b>\$ 759,909</b>	<b>\$ 236,562</b>	<b>\$ 823</b>	<b>\$ 997,294</b>	<b>\$ 176,936</b>	<b>\$ 322,870</b>	<b>\$ 499,806</b>	<b>\$ 1,497,100</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, 2020

	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	\$ 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
Amortization	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
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 consolidated financial statements.

**MADISON PUBLIC LIBRARY FOUNDATION, INC.**

STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,385,944	\$ 126,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,214	4,267
Net investment income on beneficial interest in assets held by MCF	(1,349,301)	(487,678)
Contributions restricted for endowment	(17,299)	(3,729)
Donated investments	(27,301)	(6,313)
Proceeds from sale of donated investments	27,301	6,313
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	131,197	132,079
Prepaid expenses	(4,781)	936
Accounts payable	15,878	1,294
Accrued expenses	4,348	16,266
	<u>171,200</u>	<u>(209,708)</u>
Net cash used in operating activities	171,200	(209,708)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(4,520)	(2,679)
Purchase of and interest retained in certificates of deposit	0	(908,444)
Proceeds from maturities of certificates of deposit	908,444	0
Transfers to beneficial interest in assets held by MCF	(151,276)	(433,786)
Distributions from beneficial interest in assets held by MCF	248,237	230,179
	<u>1,000,885</u>	<u>(1,114,730)</u>
Net cash provided by (used in) investing activities	1,000,885	(1,114,730)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for endowment	17,299	3,729
	<u>1,189,384</u>	<u>(1,320,709)</u>
Change in cash, cash equivalents, and restricted cash	1,189,384	(1,320,709)
Cash, cash equivalents, and restricted cash:		
Beginning	911,071	2,231,780
Ending	<u>\$ 2,100,455</u>	<u>\$ 911,071</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 2,037,455	\$ 861,907
Restricted cash	63,000	49,164
	<u>\$ 2,100,455</u>	<u>\$ 911,071</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 2,100,455</u>	<u>\$ 911,071</u>
<b>SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING ACTIVITIES</b>		
Donated investments	<u>\$ 27,301</u>	<u>\$ 6,313</u>

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

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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, 2021

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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>2021</u>	<u>2020</u>
Monroe Street Library League	\$ 21,249	\$ 15,592
South Madison Friends	10,507	6,080
Friends of Lakeview Library	<u>31,244</u>	<u>27,492</u>
Total	<u>\$ 63,000</u>	<u>\$ 49,164</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. 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.

The organization elected a policy to treat the Paycheck Protection Program (PPP) loans received as of December 31, 2021 and 2020 as conditional contributions (see Note H). Conditional contributions are those that contain a measurable performance or other barrier and a right of return and are not recognized as revenue until the conditions on which they depend have been met. The PPP loans are recognized as a refundable advance liability until the conditions have been substantially met.

#### 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 \$18,525 and \$14,005 as of December 31, 2021 and 2020, respectively. Accumulated depreciation was \$12,868 and \$11,624 as of December 31, 2021 and 2020, respectively. Depreciation expense was \$1,244 and \$298 for the years ended December 31, 2021 and 2020, 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### **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, 2021 and 2020 and is included in furniture and equipment, net on the statements of financial position. Accumulated amortization was \$24,055 and \$20,085 as of December 31, 2021 and 2020, respectively. Amortization expense was \$3,970 and \$3,969 for the years ended December 31, 2021 and 2020, 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.

#### **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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

#### **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. Included in special event revenue on the statements of activities are ticket sales of \$93,000 and \$121,425 for the years ended December 31, 2021 and 2020, respectively. Of the total ticket sales revenue, the exchange portion totaled \$14,736 and \$30,525 for the years ended December 31, 2021 and 2020, respectively.

#### **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.

#### **Accounting standard update**

In February 2016, the FASB issued ASU No. 2016-02, Leases. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU 2020-05 which deferred the effective date of ASU 2016-02 to fiscal years beginning after December 15, 2021. Early application is permitted. Management is currently evaluating the effects this new standard will have on the foundation's financial statements.

#### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after April 4, 2022, 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, 2021

### NOTE B -- Promises to give

#### Unconditional promises to give

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

	<u>2021</u>	<u>Restated 2020</u>
Pinney Branch Capital Campaign	\$ 5,000	\$ 7,500
Dream Bus	65,750	130,500
Annual	2,825	2,500
Other	14,116	2,597
John H. Lussier Charitable Lead Annuity Trust (CLAT)	<u>628,276</u>	<u>723,889</u>
Total	<u>\$ 715,967</u>	<u>\$ 866,986</u>

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

	<u>2021</u>	<u>Restated 2020</u>
Receivable in less than one year	\$ 183,304	\$ 172,710
Receivable in one to five years	478,065	544,065
Receivable in more than five years	<u>54,598</u>	<u>150,211</u>
Total unconditional promises to give	715,967	866,986
Less discount to net present value	<u>(58,289)</u>	<u>(78,111)</u>
Unconditional promises to give, net	<u>\$ 657,678</u>	<u>\$ 788,875</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, 2021 and 2020. The discount rate used for the CLAT was 2.75% as of December 31, 2021 and 2020. 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 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 \$569,987 and \$647,855 as of December 31, 2021 and 2020, respectively.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### 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>2021</u>	<u>2020</u>
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 80,376	\$ 70,356
Hawthorne Library Endowment Fund	31,283	26,147
Judy P. Olson Book Discussion Kit Fund	25,651	22,072
Lakeview Library Endowment Fund	151,763	130,878
Madison Public Library Foundation Endowment Fund	6,776,619	5,851,065
Monroe Street Branch Endowment Fund	36,021	28,835
Pinney Library Endowment Fund	247,708	158,380
Print Books Purchase Fund	127,635	111,990
Sequoia Branch Endowment Fund	433,019	377,135
South Madison Branch Endowment Fund	247,581	215,515
Central Library Endowment Fund	220,594	191,716
Meadowridge Branch Endowment Fund	162,593	136,324
Alicia Ashman Library Endowment Fund	68,641	57,909
Professional Development Endowment	26,460	20,936
Rosemary Lee Endowment Fund	<u>100,761</u>	<u>85,107</u>
Total	<u>\$ 8,736,705</u>	<u>\$ 7,484,365</u>



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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		
12/31/21	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>	\$ <u>8,736,705</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>8,736,705</u>

		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>	\$ <u>7,484,365</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>7,484,365</u>

- 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 total purchases/contributions to the beneficial interest in assets held by MCF was \$151,276 and \$408,784 for the years ended December 31, 2021 and 2020.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### 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:

	2021	Restated 2020
Madison Public Library Foundation Endowment	\$ 6,776,619	\$ 5,851,065
Program Venture Fund	5,000	5,000
Undesignated	820,517	580,079
 Total	 \$ 7,602,136	 \$ 6,436,144

#### 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:

	2021	Restated 2020
Ashman Branch	\$ 6,453	\$ 6,253
Ashman Endowment	17,943	9,114
Book Festival	554,705	550,615
Central Branch	145	315
Central Endowment	67,912	39,523
Dream Bus	346,015	355,029
General Library	44,925	48,450
Hawthorne Branch	488	363
Hawthorne Endowment	31,283	26,147
Judy P. Olson Book Discussion Kit Endowment	19,258	15,902
Lakeview Branch	287,390	312,945
Friends of Lakeview Library	31,244	27,492
Lakeview Endowment	151,763	130,878
Meadowridge Branch	3,732	7,632
Meadowridge Endowment	43,355	23,614
Monroe Branch	6,811	9,382
Monroe Library League	21,249	15,592
Monroe Endowment	11,486	7,175
Pinney Branch	10,208	5,727
Pinney Endowment	247,708	158,380
Print Books Purchase	16,869	1,224
Professional Development Endowment	6,205	2,196
 Balance carried forward	 1,927,147	 1,753,948

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

	<u>2021</u>	<u>Restated 2020</u>
Balance brought forward	\$ 1,927,147	\$ 1,753,948
Proctor Endowment	28,412	18,442
Rosemary Lee Endowment	25,261	9,607
Sequoia Branch	0	1,305
Sequoia Endowment	135,876	82,044
South Madison Branch	1,367	7,025
South Madison Friends	10,507	6,080
South Madison Endowment	75,250	44,848
John H. Lussier Charitable Lead Annuity Trust	<u>569,987</u>	<u>647,855</u>
Total	<u>\$ 2,773,807</u>	<u>\$ 2,571,154</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>2021</u>	<u>2020</u>
Ashman Branch Endowment Fund	\$ 50,698	\$ 48,795
Elizabeth Moon Proctor Scholarship & Professional Development Fund	51,964	51,914
Monroe Branch Endowment Fund	24,535	21,660
Print Books Purchase Fund	110,766	110,766
Sequoia Branch Endowment Fund	297,143	295,091
South Madison Branch Endowment Fund	172,331	170,667
Central Branch Endowment Fund	152,682	152,193
Meadowridge Branch Endowment Fund	119,238	112,710
Judy P. Olson Endowment Fund	6,393	6,170
Professional Development Endowment	20,255	18,740
Rosemary Lee Endowment Fund	<u>75,500</u>	<u>75,500</u>
Total	<u>\$ 1,081,505</u>	<u>\$ 1,064,206</u>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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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 endowment funds may fall below the level that the donor or UPMIFA requires the foundation to retain as a fund of perpetual duration.

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 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.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### NOTE F -- Endowments (Continued)

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

Endowment net asset composition by type is as follows:

	<u>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, 2021</u>			
Donor restricted endowment funds	\$ 0	\$ 878,581	\$ 1,081,505
Board-designated endowment funds	<u>6,776,619</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,776,619</u>	<u>\$ 878,581</u>	<u>\$ 1,081,505</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, 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>

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

### NOTE F -- Endowments (Continued)

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, 2021</u>			
Balance, beginning	\$ 5,851,065	\$ 569,094	\$ 1,064,206
Contributions	68,655	65,322	17,299
Amounts released for expenditure	(198,569)	(49,668)	0
Net investment income	<u>1,055,468</u>	<u>293,833</u>	<u>0</u>
	<u>\$ 6,776,619</u>	<u>\$ 878,581</u>	<u>\$ 1,081,505</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, 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>

### 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 \$3,667 and \$3,646 for the years ended December 31, 2021 and 2020, respectively. The Mohaupt Fund had a fair value of \$109,437 and \$95,977 as of December 31, 2021 and 2020, respectively.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### 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, 2022. 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.

#### 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.

On February 5, 2021, the foundation received a second loan pursuant to PPP from the PPP Lender, for an aggregate principal amount of \$81,240 (the PPP #2 Loan). The foundation obtained forgiveness of the PPP #2 Loan on August 20, 2021 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 \$14,716 and \$14,037 for the years ended December 31, 2021, and 2020, respectively.

# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

The following reflects the foundation's financial assets as of December 31, 2021 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>2021</u>	<u>Restated 2020</u>
Financial assets as of December 31, 2021	\$ 11,494,838	\$ 10,092,755
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(1,895,226)	(2,002,060)
Board designated endowment funds	(6,776,619)	(5,851,065)
Board designated other	(5,000)	(5,000)
Donor restricted endowment funds	<u>(1,960,086)</u>	<u>(1,633,300)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 857,907</u>	<u>\$ 601,330</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.

### NOTE K -- Prior period adjustments

Management determined that the final payment from the CLAT (see Note B) is a fixed amount rather than based on the remaining balance of the trust on the last payment date. 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, 2020.

Management determined that the foundation had recorded the activity of the Dream Bus program as net assets without donor restrictions rather than net assets with donor restrictions. This error resulted in an overstatement of the amount previously reported for net assets without donor restrictions – undesignated and an understatement of the amount previously reported as net asset with donor restrictions – time or use (other) as of December 31, 2020.



# MADISON PUBLIC LIBRARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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### NOTE K -- Prior period adjustments (Continued)

The 2020 opening balance of net asset without donor restrictions and 2020 opening balance of net assets with donor restrictions – time or use have been restated by \$376,713 for these transactions. The 2020 change in net assets has decreased by \$71,521 in connection with these transactions.

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

#### Statement of financial position

As of December 31, 2020

	As originally reported	As restated	Effect of change
Assets:			
Unconditional promises to give, long-term, net	\$ 687,686	\$ 616,165	\$ (71,521)
Net assets:			
Net assets without donor restrictions –			
Undesignated	\$ 935,108	\$ 580,079	\$ (355,029)
Net assets with donor restrictions – time or use			
Other	\$ 1,718,552	\$ 2,002,060	\$ 283,508

#### Statement of activities

Year ended December 31, 2020

	As originally reported	As restated	Effect of change
Public support and revenues:			
Contributions – without donor restrictions	\$ 584,894	\$ 554,394	\$ (30,500)
Contributions – with donor restrictions (time/use)	\$ 545,957	\$ 593,792	\$ 47,835
Change in value of the CLAT - with donor			
restrictions (time/use)	\$ 88,856	\$ 0	\$ (88,856)
Net assets released from restrictions:			
Restrictions released by donor – without donor			
restrictions	\$ 1,374,798	\$ 1,426,982	\$ 52,184
Restrictions released by donor – with donor			
restrictions (time/use)	\$ (1,370,560)	\$ (1,422,744)	\$ (52,184)

#### Statement of cash flows

Year ended December 31, 2019

	As originally reported	As restated	Effect of change
Cash flows from operating activities:			
Change in net assets	\$ 198,378	\$ 126,857	\$ (71,521)
Unconditional promises to give	\$ 60,558	\$ 132,079	\$ 71,521