

PRELIMINARY DRAFT
Madison Public Library Foundation, Inc.

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Financial Report

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MADISON PUBLIC LIBRARY FOUNDATION, INC.

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(*) SVA-CERTIFIED PUBLIC ACCOUNTANTS, S.C.

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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

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.

Madison, Wisconsin
REPORT DATE

MADISON PUBLIC LIBRARY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,513,938	\$ 1,702,727
Restricted cash, libraries	56,315	60,128
Certificates of deposit, short-term	228,826	200,000
Unconditional promises to give, short-term	202,563	202,999
Prepaid expenses	26,538	23,384
Total current assets	2,028,180	2,189,238
FURNITURE AND EQUIPMENT, NET	3,032	6,260
OTHER ASSETS		
Investments - MCF pass thru fund	0	1,214
Certificates of deposit, long-term	0	10,000
Beneficial interest in assets held by MCF	8,731,109	7,869,286
Unconditional promises to give, long-term, net	677,284	394,365
Total other assets	9,408,393	8,274,865
TOTAL ASSETS	\$ 11,439,605	\$ 10,470,363
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 128,642	\$ 91,751
Deferred revenue	5,000	0
Accrued expenses	23,815	21,681
Total current liabilities	157,457	113,432
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	781,309	722,193
Board designated - endowment	6,878,568	6,105,434
Board designated - other	5,000	5,000
Total net assets without donor restrictions	7,664,877	6,832,627
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use:		
Endowment	767,418	645,192
Other	1,686,481	1,760,452
Total net assets with donor restrictions - time or use	2,453,899	2,405,644
Net assets with donor restrictions - perpetual endowments	1,163,372	1,118,660
Total net assets with donor restrictions	3,617,271	3,524,304
Total net assets	11,282,148	10,356,931
TOTAL LIABILITIES AND NET ASSETS	\$ 11,439,605	\$ 10,470,363

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2023

	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	823,174	\$ 948,523	\$ 44,712	\$ 1,816,409
Special event revenue - in-kind contributions	13,489	0	0	13,489
Special event revenue	91,035	119,136	0	210,171
Investment income, net	32,112	0	0	32,112
Net investment gain on beneficial interest in assets held by MCF	584,463	165,513	0	749,976
Other income	35,097	0	0	35,097
Net assets released from restrictions:				
Restrictions released by donor	1,184,917	(1,184,917)	0	0
Total public support and revenues	2,764,287	48,255	44,712	2,857,254
Expenses:				
Program services:				
Grants and library programming	902,358	0	0	902,358
Book Festival	313,379	0	0	313,379
Capital campaigns	108,212	0	0	108,212
Total program services	1,323,949	0	0	1,323,949
Supporting services:				
Management and general	247,237	0	0	247,237
Fundraising	360,851	0	0	360,851
Total supporting services	608,088	0	0	608,088
Total expenses	1,932,037	0	0	1,932,037
Change in net assets	832,250	48,255	44,712	925,217
Net assets, beginning	6,832,627	2,405,644	1,118,660	10,356,931
Net assets, ending	\$ 7,664,877	\$ 2,453,899	\$ 1,163,372	\$ 11,282,148

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	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	\$ 542,287	\$ 918,696	\$ 37,155	\$ 1,498,138
Special event revenue - in-kind contributions	32,106	0	0	32,106
Special event revenue	99,666	103,302	0	202,968
Investment income, net	4,182	0	0	4,182
Net investment income on beneficial interest in assets held by MCF	(633,440)	(183,312)	0	(816,752)
Other income	23,576	0	0	23,576
Net assets released from restrictions:				
Restrictions released by donor	1,206,849	(1,206,849)	0	0
Total public support and revenues	1,275,226	(368,163)	37,155	944,218
Expenses:				
Program services				
Grants	1,151,326	0	0	1,151,326
Book Festival	292,112	0	0	292,112
Capital campaigns	23,143	0	0	23,143
Total program services	1,466,581	0	0	1,466,581
Supporting services:				
Management and general	239,095	0	0	239,095
Fundraising	339,059	0	0	339,059
Total supporting services	578,154	0	0	578,154
Total expenses	2,044,735	0	0	2,044,735
Change in net assets	(769,509)	(368,163)	37,155	(1,100,517)
Net assets, beginning	7,602,136	2,773,807	1,081,505	11,457,448
Net assets, ending	\$ 6,832,627	\$ 2,405,644	\$ 1,118,660	\$ 10,356,931

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	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	\$ 0	\$ 127,669	\$ 11,561	\$ 139,230	\$ 147,591	\$ 223,248	\$ 370,840	\$ 510,070
Grants	725,061	0	0	725,061	0	0	0	725,061
Conferences and training	1,263	0	0	1,263	1,339	2,026	3,365	4,628
Depreciation	881	0	0	881	934	1,413	2,347	3,228
Insurance	1,343	0	0	1,343	1,423	2,153	3,577	4,920
Data processing and website	3,874	0	0	3,874	4,107	6,212	10,319	14,193
Fees, dues and subscriptions	0	0	0	0	0	26,779	26,779	26,779
Events	76,204	0	0	76,204	0	0	0	76,204
Occupancy	1,365	0	0	1,365	1,447	2,188	3,635	5,000
Office supplies	4,141	0	0	4,141	852	1,288	2,140	6,281
Printing and postage	607	3,738	125	4,470	607	30,415	31,022	35,492
Professional services	0	0	0	0	66,561	39,805	106,366	106,366
Author fees and related costs	0	150,406	0	150,406	0	0	0	150,406
Publicity and marketing	81,021	27,974	96,500	205,495	5,837	17,797	23,634	229,129
Travel and meals	1,046	3,591	26	4,664	1,108	2,655	3,763	8,427
Other	5,552	0	0	5,552	15,430	4,871	20,301	25,853
Total expenses	\$ 902,358	\$ 313,379	\$ 108,212	\$ 1,323,949	\$ 247,237	\$ 360,851	\$ 608,088	\$ 1,932,037

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	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	\$ 1,841	\$ 142,046	\$ 0	\$ 143,887	\$ 140,577	\$ 229,420	\$ 369,997	\$ 513,884
Grants	1,009,044	0	0	1,009,044	0	0	0	1,009,044
Conferences and training	2,317	0	0	2,317	2,264	3,695	5,959	8,276
Depreciation and amortization	1,518	0	0	1,518	1,483	2,420	3,903	5,421
Insurance	1,634	0	0	1,634	1,596	2,605	4,201	5,835
Data processing and website	2,014	0	0	2,014	1,967	3,210	5,177	7,191
Fees, dues and subscriptions	0	0	0	0	0	23,801	23,801	23,801
Events	76,988	8,302	0	85,290	0	8,686	8,686	93,976
Occupancy	1,400	0	0	1,400	1,368	2,232	3,600	5,000
Office supplies	2,448	0	0	2,448	2,392	3,904	6,296	8,744
Printing and postage	1,072	1,713	0	2,785	1,072	18,971	20,043	22,828
Professional services	548	0	0	548	78,677	21,263	99,940	100,488
Author fees and related costs	0	115,876	0	115,876	0	0	0	115,876
Publicity and marketing	37,164	19,071	23,076	79,311	2,581	14,842	17,423	96,734
Travel and meals	500	4,952	0	5,452	488	797	1,285	6,737
Other	12,838	152	67	13,057	4,630	3,213	7,843	20,900
Total expenses	\$ 1,151,326	\$ 292,112	\$ 23,143	\$ 1,466,581	\$ 239,095	\$ 339,059	\$ 578,154	\$ 2,044,735

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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 925,217	\$ (1,100,517)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,228	2,774
Amortization	0	2,647
Net investment (gain) loss on beneficial interest in assets held by MCF	(749,976)	816,752
Contributions restricted for endowment	(44,712)	(37,155)
Donated investments	(93,745)	(250,568)
Proceeds from sale of donated investments	94,958	249,354
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	(282,483)	60,314
Prepaid expenses	(3,154)	(4,120)
Accounts payable	36,891	61,323
Deferred revenue	5,000	0
Accrued expenses	2,134	(12,849)
Net cash used in operating activities	(106,642)	(212,045)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	0	(3,377)
Purchase of and interest retained in certificates of deposit	(18,826)	(210,000)
Transfers to beneficial interest in assets held by MCF	(411,239)	(230,061)
Distributions from beneficial interest in assets held by MCF	299,393	280,728
Net cash used in investing activities	(130,672)	(162,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	44,712	37,155
Change in cash, cash equivalents, and restricted cash	(192,602)	(337,600)
Cash, cash equivalents, and restricted cash:		
Beginning	1,762,855	2,100,455
Ending	\$ 1,570,253	\$ 1,762,855
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,513,938	\$ 1,702,727
Restricted cash	56,315	60,128
Total cash, cash equivalents, and restricted cash	\$ 1,570,253	\$ 1,762,855
SUPPLEMENTAL SCHEDULES OF NONCASH INVESTING ACTIVITIES		
Donated investments	\$ 93,745	\$ 250,568

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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, 2023

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>2023</u>	<u>2022</u>
Monroe Street Library League	\$ 23,489	\$ 27,613
South Madison Friends	8,498	8,220
Friends of Lakeview Library	<u>24,328</u>	<u>24,295</u>
Total	<u>\$ 56,315</u>	<u>\$ 60,128</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 between 0.31% - 0.42%, 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.

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 \$21,902 as of December 31, 2023 and 2022. Accumulated depreciation was \$18,870 and \$15,642 as of December 31, 2023 and 2022, respectively. Depreciation expense was \$3,228 and \$2,774 for the years ended December 31, 2023 and 2022, 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, 2023

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, 2023 and 2022. The website development costs were fully amortized as of December 31, 2023 and 2022. Amortization expense was \$0 and \$2,647 for the years ended December 31, 2023 and 2022, 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.

In-kind contributions

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.

The foundation receives contributions of food, beverages and other supplies for its events, which are recorded as revenue and expense in the year received based on the estimated fair market value. The estimated fair value of these contributions utilized is based on the amount provided by the donor. For the years ended December 31, 2023 and 2022, \$13,489 and \$32,106 of in-kind contributions were recorded as revenue and expense, respectively.

The foundation's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the foundation to utilize it in its normal course of business, the asset will be disposed.

All in-kind contributions received by the foundation for the years ended December 31, 2023 and 2022 were considered without donor restrictions and able to be used by the foundation as determined by the board of directors and management.

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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

Revenue recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. The foundation recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Conditional promises to give are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been met.

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. Included in special event revenue on the statements of activities are ticket sales of \$110,125 and \$113,805 for the years ended December 31, 2023 and 2022, respectively. Of the total ticket sales revenue, the exchange portion totaled \$31,275 and \$31,135 for the years ended December 31, 2023 and 2022, 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.

Subsequent events

These financial statements have not been updated for subsequent events occurring after REPORT DATE, 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, 2023

NOTE B -- Promises to give

Unconditional promises to give

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

	<u>2023</u>	<u>2022</u>
Pinney Branch Capital Campaign	\$ 0	\$ 2,500
Dream Bus	10,000	0
Book Fest	1,000	19,095
Annual	300	28,087
Other	650	57,704
Reindahl Capital Campaign	500,000	0
John H. Lussier Charitable Lead Annuity Trust (CLAT)	<u>437,051</u>	<u>532,663</u>
Total	<u>\$ 949,001</u>	<u>\$ 640,049</u>

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

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 202,563	\$ 202,999
Receivable in one to five years	<u>746,437</u>	<u>437,050</u>
Total unconditional promises to give	949,001	640,049
Less discount to net present value	<u>(69,154)</u>	<u>(42,685)</u>
Unconditional promises to give, net	<u>\$ 879,847</u>	<u>\$ 597,364</u>

Unconditional promises to give (excluding the CLAT) receivable in one year or more are discounted to net present value using a discount rate ranging from 4.31% to 4.73% as of December 31, 2023 and 2022. The discount rate used for the CLAT was 2.75% as of December 31, 2023 and 2022.

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 \$407,770 and \$489,978 as of December 31, 2023 and 2022, respectively.

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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:

	2023	2022
Elizabeth Moon Proctor Scholarship & Professional Development Fund	\$ 73,856	\$ 70,164
Hawthorne Library Endowment Fund	33,635	29,792
Judy P. Olson Book Discussion Kit Fund	24,247	22,722
Lakeview Library Endowment Fund	145,921	134,362
Madison Public Library Foundation Endowment Fund	6,824,356	6,105,434
Monroe Street Branch Endowment Fund	50,546	45,512
Pinney Library Endowment Fund	250,259	227,600
Print Books Purchase Fund	118,896	112,637
Sequoia Branch Endowment Fund	414,132	380,730
South Madison Branch Endowment Fund	230,482	217,411
Central Library Endowment Fund	205,024	193,530
Meadowridge Branch Endowment Fund	157,699	146,141
Alicia Ashman Library Endowment Fund	84,098	72,426
Professional Development Endowment	25,853	23,114
Rosemary Lee Endowment Fund	92,105	87,711
Total	\$ 8,731,109	\$ 7,869,286

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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			
	12/31/23	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
MCF pass thru fund ²	\$ 0	\$ 0	\$ 0	\$ 0
Beneficial interest in assets held by MCF ¹	8,731,109	0	0	8,731,109
	\$ 8,731,109	\$ 0	\$ 0	\$ 8,731,109

	Fair value measurement using			
	12/31/22	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
MCF pass thru fund ²	\$ 1,214	\$ 0	\$ 0	\$ 1,214
Beneficial interest in assets held by MCF ¹	7,869,286	0	0	7,869,286
	\$ 7,870,500	\$ 0	\$ 0	\$ 7,870,500

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 foundation has entered into an agreement to hold funds in an MCF pass thru fund which represent donations or pledge payments received via a stock transfer. MCF has agreed to accept these donations on behalf of the foundation. MCF sells the stock on the date it is received and remits the cash proceeds to the foundation. The MCF pass thru fund is not actively traded and significant other observable inputs are not available. Thus, the fair value of the pass thru fund is measured at the proportional share of the underlying assets as reported to the foundation by MCF.

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE D -- Fair value disclosure (Continued)

The total purchases/contributions to the beneficial interest in assets held by MCF was \$411,239 and \$231,061 for the years ended December 31, 2023 and 2022.

The total purchases/contributions to the MCF pass thru fund was \$93,745 and \$250,568 for the years ended December 31, 2023 and 2022.

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:

	2023	2022
Madison Public Library Foundation Endowment	\$ 6,878,568	\$ 6,105,434
Program Venture Fund	5,000	5,000
Undesignated	781,309	722,193
Total	\$ 7,664,877	\$ 6,832,627

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:

	2023	2022
Ashman Branch	\$ 1,300	\$ 1,500
Ashman Endowment	14,358	9,507
Book Festival	356,763	505,853
Central Branch	35	0
Central Endowment	50,401	40,146
Dream Bus	162,589	249,115
General Library	67,874	103,943
Hawthorne Branch	750	8,000
Hawthorne Endowment	34,349	29,792
Judy P. Olson Book Discussion Kit Endowment	17,488	16,154
Lakeview Branch	146,271	192,702
Friends of Lakeview Library	44,903	39,445
Lakeview Endowment	147,486	134,362
Meadowridge Branch	7,500	0
Balance carried forward	1,052,067	1,330,519

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE E -- Net assets (Continued)

	2023	2022
Balance brought forward	\$ 1,052,067	\$ 1,330,519
Meadowridge Endowment	31,074	22,908
Monroe Branch	4,790	4,750
Monroe Library League	23,489	27,613
Monroe Endowment	9,422	6,385
Pinney Capital Equity	0	2,500
Pinney Branch	5,070	17,969
Pinney Endowment	257,842	227,600
Print Books Purchase	6,442	554
Professional Development Endowment	3,994	2,807
Proctor Endowment	21,842	18,200
Program Restricted	1,309	0
Reindahl Capital	433,651	107,164
Rosemary Lee Endowment	16,605	12,211
Sequoia Branch	10,850	1,450
Sequoia Endowment	100,965	80,883
South Madison Branch	250	250
South Madison Friends	8,498	8,220
South Madison Endowment	55,150	43,683
Thrift Books	2,819	0
John H. Lussier Charitable Lead Annuity Trust	407,770	489,978
Total	\$ 2,453,899	\$ 2,405,644

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

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE E -- Net assets (Continued)

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>2023</u>	<u>2022</u>
Ashman Branch Endowment Fund	\$ 71,942	\$ 62,919
Elizabeth Moon Proctor Scholarship & Professional Development Fund	52,039	51,964
Monroe Branch Endowment Fund	44,116	39,127
Print Books Purchase Fund	115,411	112,083
Sequoia Branch Endowment Fund	315,443	299,847
South Madison Branch Endowment Fund	176,545	173,728
Central Branch Endowment Fund	154,958	153,384
Meadowridge Branch Endowment Fund	128,800	123,233
Judy P. Olson Endowment Fund	6,759	6,568
Professional Development Endowment	21,859	20,307
Rosemary Lee Endowment Fund	<u>75,500</u>	<u>75,500</u>
Total	<u>\$ 1,163,372</u>	<u>\$ 1,118,660</u>

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.

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE F -- Endowments (Continued)

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.

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, 2023</u>			
Donor restricted endowment funds	\$ 0	\$ 767,418	\$ 1,163,372
Board-designated endowment funds	<u>6,878,568</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,878,568</u>	<u>\$ 767,418</u>	<u>\$ 1,163,372</u>

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE F -- Endowments (Continued)

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions - time or use</u>	<u>Net assets with donor restrictions - perpetual endowments</u>
<u>December 31, 2022</u>			
Donor restricted endowment funds	\$ 0	\$ 645,192	\$ 1,118,660
Board-designated endowment funds	<u>6,105,434</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,105,434</u>	<u>\$ 645,192</u>	<u>\$ 1,118,660</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, 2023</u>			
Balance, beginning	\$ 6,105,434	\$ 645,192	\$ 1,118,660
Contributions	422,367	22,409	44,712
Amounts released for expenditure	(233,696)	(65,696)	0
Net investment income	<u>584,463</u>	<u>165,513</u>	<u>0</u>
	<u>\$ 6,878,568</u>	<u>\$ 767,418</u>	<u>\$ 1,163,372</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, 2022</u>			
Balance, beginning	\$ 6,776,619	\$ 878,581	\$ 1,081,505
Contributions	182,125	10,782	37,155
Amounts released for expenditure	(219,870)	(60,859)	0
Net investment income (loss)	<u>(633,440)</u>	<u>(183,312)</u>	<u>0</u>
	<u>\$ 6,105,434</u>	<u>\$ 645,192</u>	<u>\$ 1,118,660</u>

MADISON PUBLIC LIBRARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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 \$3,934 and \$3,851 for the years ended December 31, 2023 and 2022, respectively. The Mohaupt Fund had a fair value of \$100,400 and \$95,467 as of December 31, 2023 and 2022, respectively.

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 \$15,353 and \$14,514 for the years ended December 31, 2023, and 2022, respectively.

NOTE J -- Availability of financial assets and liquidity

The following reflects the foundation's financial assets as of December 31, 2023 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:

	2023	2022
Financial assets as of December 31, 2023	\$ 11,410,035	\$ 10,440,719
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(1,686,481)	(1,760,452)
Board designated endowment funds	(6,878,568)	(6,105,434)
Board designated other	(5,000)	(5,000)
Donor restricted endowment funds	(1,930,790)	(1,763,852)
Financial assets available to meet cash needs for general expenditures within one year	\$ 909,196	\$ 805,981

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.