

**Cedar Rapids Public Library Foundation**

**Consolidated Financial Statements**

**June 30, 2023 and 2022**

**Cedar Rapids Public Library Foundation**  
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**Independent Auditor's Report**

Board of Directors  
Cedar Rapids Public Library Foundation  
Cedar Rapids, Iowa

***Opinion***

We have audited the consolidated financial statements of Cedar Rapids Public Library Foundation and its wholly-owned subsidiary (collectively, the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in their net assets and their 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 (GAAS). 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 the Foundation 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

*Bergankdv, Ltd.*

Waterloo, Iowa  
November 14, 2023

**Cedar Rapids Public Library Foundation**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 304,281	\$ 241,948
Promises to give	122,833	38,500
Prepaid expenses	11,940	11,432
Total current assets	<u>439,054</u>	<u>291,880</u>
Investments	9,129,711	9,085,477
Promises to give, net	306,296	6,634
Beneficial interest in assets held by Community Foundation	13,892	13,737
Land	<u>3,508,453</u>	<u>-</u>
Total assets	<u><u>\$ 13,397,406</u></u>	<u><u>\$ 9,397,728</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 28,569	\$ 19,574
Accrued expenses	23,101	13,484
Total current liabilities	<u>51,670</u>	<u>33,058</u>
Long-term liabilities		
Land contract payable	<u>3,100,000</u>	<u>-</u>
Total liabilities	<u>3,151,670</u>	<u>33,058</u>
Net assets		
Without donor restrictions	5,532,933	5,076,991
With donor restrictions	4,712,803	4,287,679
Total net assets	<u>10,245,736</u>	<u>9,364,670</u>
Total liabilities and net assets	<u><u>\$ 13,397,406</u></u>	<u><u>\$ 9,397,728</u></u>

**Cedar Rapids Public Library Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, gains and public support</b>			
Contributions and grants	\$ 171,683	\$ 714,537	\$ 886,220
Bequests	22,745	10,373	33,118
Investment return, net	529,044	221,651	750,695
Change in beneficial interest	779	-	779
Other income	2,500	-	2,500
Net assets released from restriction	521,437	(521,437)	-
Total revenues, gains and public support	<u>1,248,188</u>	<u>425,124</u>	<u>1,673,312</u>
<b>Expenses</b>			
Program services	461,831	-	461,831
Management and general	117,977	-	117,977
Fundraising	212,438	-	212,438
Total expenses	<u>792,246</u>	<u>-</u>	<u>792,246</u>
Change in net assets	455,942	425,124	881,066
Net assets, beginning of year	<u>5,076,991</u>	<u>4,287,679</u>	<u>9,364,670</u>
Net assets, end of year	<u><u>\$ 5,532,933</u></u>	<u><u>\$ 4,712,803</u></u>	<u><u>\$ 10,245,736</u></u>

**Cedar Rapids Public Library Foundation**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, gains and public support</b>			
Contributions and grants	\$ 162,301	\$ 153,614	\$ 315,915
Bequests	38,874	11,538	50,412
Investment return, net	(835,232)	(296,428)	(1,131,660)
Change in beneficial interest	(1,011)	-	(1,011)
Net assets released from restriction	230,931	(230,931)	-
Total revenues, gains and public support	<u>(404,137)</u>	<u>(362,207)</u>	<u>(766,344)</u>
<b>Expenses</b>			
Program services	308,495	-	308,495
Management and general	98,437	-	98,437
Fundraising	93,505	-	93,505
Total expenses	<u>500,437</u>	<u>-</u>	<u>500,437</u>
Change in net assets	(904,574)	(362,207)	(1,266,781)
Net assets, beginning of year	<u>5,981,565</u>	<u>4,649,886</u>	<u>10,631,451</u>
Net assets, end of year	<u><u>\$ 5,076,991</u></u>	<u><u>\$ 4,287,679</u></u>	<u><u>\$ 9,364,670</u></u>

**Cedar Rapids Public Library Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	Program Services					Support Services			
	Books and Materials	Children's Services	Library Programs	Unrestricted Library	DT Library Capital Improvements	Total Program Services	Management and General	Fundraising	Total Expenses
Grants and assistance	\$ 55,464	\$ 150,500	\$ 56,855	\$ 16,039	\$ 100,000	\$ 378,858	\$ -	\$ -	\$ 378,858
Salaries and wages	10,412	28,254	10,673	3,754	-	53,093	37,224	81,983	172,300
Benefits	5,083	13,794	5,211	1,833	-	25,921	3,593	36,700	66,214
Professional fees	-	-	-	-	-	-	56,823	2,833	59,656
Professional fundraising services	-	-	-	-	-	-	-	76,479	76,479
Office expenses	-	-	-	-	-	-	4,629	10,783	15,412
Information and technology	-	-	-	-	-	-	-	3,099	3,099
Occupancy	-	-	-	-	-	-	6,998	-	6,998
Conference and meetings	-	-	-	-	-	-	7,126	-	7,126
Other	-	-	-	3,959	-	3,959	1,584	561	6,104
Total expenses	<u>\$ 70,959</u>	<u>\$ 192,548</u>	<u>\$ 72,739</u>	<u>\$ 25,585</u>	<u>\$ 100,000</u>	<u>\$ 461,831</u>	<u>\$ 117,977</u>	<u>\$ 212,438</u>	<u>\$ 792,246</u>



**Cedar Rapids Public Library Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	Program Services					Support Services		
	Books and Materials	Children's Services	Library Programs	Unrestricted Library	Total Program Services	Management and General	Fundraising	Total Expenses
Grants and assistance	\$ 53,183	\$ 146,042	\$ 36,625	\$ 6,000	\$ 241,850	\$ -	\$ -	\$ 241,850
Salaries and wages	9,861	27,077	6,791	1,901	45,630	32,204	36,504	114,338
Benefits	3,622	9,945	2,494	698	16,759	3,352	13,408	33,519
Professional fees	-	-	-	-	-	45,229	28,613	73,842
Office expenses	-	-	-	-	-	3,964	8,247	12,211
Information and technology	-	-	-	-	-	-	3,098	3,098
Occupancy	-	-	-	-	-	6,998	-	6,998
Conference and meetings	-	-	-	-	-	5,702	-	5,702
Other	-	-	-	4,256	4,256	988	3,635	8,879
Total expenses	<u>\$ 66,666</u>	<u>\$ 183,064</u>	<u>\$ 45,910</u>	<u>\$ 12,855</u>	<u>\$ 308,495</u>	<u>\$ 98,437</u>	<u>\$ 93,505</u>	<u>\$ 500,437</u>

**Cedar Rapids Public Library Foundation**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ 881,066	\$ (1,266,781)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Interest and dividends reinvested	(160,359)	(275,775)
Net realized and unrealized (gain) loss on investments	(589,701)	1,419,085
Change in value of beneficial interest	(779)	1,011
Changes in operating assets and liabilities		
Promises to give	(383,995)	68,677
Prepaid expenses	(508)	224
Accounts payable and accrued expenses	18,612	7,604
Net cash flows - operating activities	<u>(235,664)</u>	<u>(45,955)</u>
<b>Cash Flows - Investing Activities</b>		
Purchase of land	(408,453)	-
Purchases of investments	(7,099,791)	(9,835,569)
Proceeds from sale of investments	7,805,617	9,954,477
Transfer from Community Foundation	624	603
Net cash flows - investing activities	<u>297,997</u>	<u>119,511</u>
Net change in cash and cash equivalents	62,333	73,556
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>241,948</u>	<u>168,392</u>
End of year	<u>\$ 304,281</u>	<u>\$ 241,948</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>		
Purchase of land through seller financed contract	<u>\$ 3,100,000</u>	<u>\$ -</u>

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 1 – FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Principals of Consolidation**

The accompanying consolidated financial statements include the accounts of the Cedar Rapids Public Library Foundation and Big Dreams, LLC (collectively, the Foundation). Intra-entity transactions and balances have been eliminated in the consolidation.

**Nature of Organization**

The Cedar Rapids Public Library Foundation was established to enhance the quality of the Cedar Rapids Public Library (the Library) services to the community by securing resources to support the library programs and projects not normally met by public funding. During the years ended June 30, 2023 and 2022, \$378,858 and \$241,850, respectively, were paid to or on behalf of the Library by the Foundation.

The Foundation supports the following programs:

*Books and Materials* – Supports Library collections.

*Children's Services* – Supports children's Library collections and programs.

*Library Programs* – Support for the Library's programs.

*Unrestricted Library* – Support areas of greatest need.

*Downtown (DT) Library Capital Improvements* – Support for the Downtown Library's capital improvements.

Big Dreams, LLC is a limited liability company, with the Foundation as the sole member. Big Dreams, LLC purchased and holds the land being developed for the new Westside library.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include highly liquid investments with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

**Promises to Give**

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Amounts due in more than one year are recorded at net realizable discounted cash flow using an appropriate discount rate commensurate with risks involved. As of June 30, 2023 and 2022, no allowance for uncollectible pledges was considered necessary.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 1 – FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Foundation carries its investments at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in net assets with and without donor restrictions. Investment return is also reported in the statement of activities as a change in net assets with and without donor restrictions based on the intention stipulated by the donor. Net investment return is reported on the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investments are exposed to various risk such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balance.

**Land**

Land was purchased in August 2022, a portion of which is intended to be used for a new Westside library. Remaining land that is not needed for the library project, which is not yet known, is being held for sale. Land is carried at cost and is not amortized. The Foundation records impairment losses on the land intended to be used for the library project when events and circumstances indicate the carrying amount exceeds its fair value, and impairment losses on land held for sale are recorded when the carrying amount exceeds its fair value less selling costs. There were no impairment losses for the year ended June 30, 2023.

**Net Assets**

Net assets, revenues, gains, and public support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated funds from net assets without donor restrictions for certain purposes. Board designated funds include: a quasi-endowment for children's services; an operating reserve fund based on the subsequent fiscal-year budget; a strategic initiatives fund that will facilitate growth opportunities of the Foundation; and a general use quasi-endowment. All board designated funds are voluntary and may be amended by the board at any time.

*Net Assets With Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 1 – FOUNDATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

Big Dreams, LLC, as a wholly-owned subsidiary of the Foundation, is disregarded for income tax purposes.

**Revenue Recognition**

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Bequests are recognized as a contribution once the amount has been determined with certainty and the probate court has declared the will is valid, provided the bequest is unconditional. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2023, the Foundation had a conditional promise to give of \$1,500,000. Approximately \$25,000 of this conditional promise was recorded during the year as the conditions were met.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expense that are attributed to a program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and employee benefits which are allocated on the basis of estimates of time and effort.

**Subsequent Events**

Management has evaluated subsequent events through November 14, 2023, the date which the consolidated financial statements were available for issue.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 304,281	\$ 241,948
Promises to give	122,833	38,500
Investments	9,129,711	9,085,477
Total financial assets available	9,556,825	9,365,925
Less board designations	2,734,732	2,910,798
Less donor-imposed restrictions	4,407,507	4,287,679
Financial assets available within one year	<u>\$ 2,414,586</u>	<u>\$ 2,167,448</u>

The Foundation frequently receives contributions with donor restrictions to be used in accordance with the associated purpose of those restrictions. It occasionally receives gifts to establish endowments that will exist in perpetuity; a portion of the income generated from such endowments is distributed in accordance with the Foundation Investment Policy and in accordance with any donor restrictions. In addition, the Foundation receives contributions without donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board designated endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs to be available to meet cash needs for operational expenditures while in compliance with donor restrictions, if any. Operational expenditures include administrative and general expenses, fundraising expenses, and funding commitments to the Library expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term Library funding commitments and obligations under endowments with donor restrictions and quasi-endowments will continue to be met, ensuring the sustainability of the Foundation and Foundation-funded Library programs and services.

The Foundation's finance committee meets as needed throughout the fiscal year to review financial records, proposed budget, fundraising plan, and Library support requests for the subsequent year. The Foundation strives to maintain financial assets available to meet necessary expenditures at a level that represents 100% of annual expenses for operational needs plus an amount that represents commitments for Library programs and services as approved by the board of directors.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 3 – PROMISES TO GIVE**

Unconditional promises to give related to the ongoing capital campaign due in more than one year are recognized at fair value, using present value techniques and a discount rate of 3.5% and consist of the following as of June 30, 2023 and 2022:

	2023	2022
Restricted for Capital Fund	\$ 449,889	\$ -
Without restrictions	1,000	45,500
Less discount for present value	21,760	366
Total promises to give	<u>\$ 429,129</u>	<u>\$ 45,134</u>
Amounts due in:		
Less than one year	\$ 122,833	\$ 38,500
One to five years	328,056	7,000
Less discount for present value	21,760	366
Total promises to give	<u>\$ 429,129</u>	<u>\$ 45,134</u>

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The fair value measurement accounting literature establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.
- Level 3: Inputs are unobservable inputs based on the Foundation's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Money market and mutual funds are valued at the net asset value, based on quote market prices in active markets, of shares held by the Foundation at year end. Equity securities, which includes equity-based mutual funds and stocks, and US Treasury notes are valued at the closing price reported in the active markets in which they are traded. Corporate bonds are valued based on quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets and liabilities in markets that are not active.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables set forth by level within the fair value hierarchy of the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2023 and 2022, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value.

	Fair Value Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>				
Money market funds	\$ 270,818	\$ -	\$ -	\$ 270,818
Mutual funds - fixed income	1,433,003	-	-	1,433,003
Mutual funds - equities	762,054	-	-	762,054
Equity securities	4,978,785	-	-	4,978,785
US Treasury	1,082,451	-	-	1,082,451
Corporate bonds	-	602,600	-	602,600
Total investments	<u>\$ 8,527,111</u>	<u>\$ 602,600</u>	<u>\$ -</u>	<u>\$ 9,129,711</u>
<u>June 30, 2022</u>				
Money market funds	\$ 365,371	\$ -	\$ -	\$ 365,371
Mutual funds - fixed income	1,905,497	-	-	1,905,497
Mutual funds - equities	846,129	-	-	846,129
Equity securities	4,591,296	-	-	4,591,296
US Treasury	297,484	-	-	297,484
Corporate bonds	-	1,079,700	-	1,079,700
Total investments	<u>\$ 8,005,777</u>	<u>\$ 1,079,700</u>	<u>\$ -</u>	<u>\$ 9,085,477</u>

**NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Foundation has funds held by The Greater Cedar Rapids Community Foundation (Community Foundation). The fund is administered by the Community Foundation for the benefit of the Foundation. Control over the investment or reinvestment of these funds is exercised exclusively by the Community Foundation. A portion of the fund's earnings is made available for distribution to the Foundation periodically. Distributions from these funds totaled \$625 and \$603 during the years ended June 30, 2023 and 2022, respectively.

**NOTE 6 – LAND CONTRACT PAYABLE**

On August 10, 2022, the Foundation entered into a contract to purchase land, a portion of which is intended to be used for a permanent Westside library facility. Upon signing the contract, which had a total purchase price of \$3,500,000, the Foundation made a down payment of \$400,000. The remaining purchase price was financed by the seller over approximately five years with no interest accrued or payable until the third anniversary at an interest rate of 4%. The Foundation may prepay any or all of the remaining purchase price without interest or penalties and is required to make certain payments to the seller if the property is resold prior to repayment.



**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 7 – ENDOWMENTS**

The Foundation's endowments consist of various funds established to provide income to meet the Foundation's annual operating needs and to provide funds for ongoing support to the Library in the areas of books and materials, children's services and general needs above what the public funding is able to provide. Its endowments consist of donor-restricted and board-designated endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law* - The Foundation has interpreted the Iowa Uniform Prudent Management 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. As a result of this interpretation, the Foundation retains in perpetuity and classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation or depreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of June 30, 2023 and 2022.

The designation as a quasi-endowment is voluntary and may be reversed at any time by the board. Therefore, the Foundation has interpreted UPMIFA to not apply to its quasi-endowment.

*Return Objectives and Risk Parameters* - The primary objective is to provide growth of principal and income in the fund's assets relative to the consumer price index. The objective should be pursued as the long-term designed to maximize total return without undue risk. The Foundation's risk tolerance is described as moderate. The need to preserve and enhance the value of the assets for future needs of the library supports purchases allowed in mutual funds, equities, corporate bonds, and money market funds.

*Spending Policy* - The annual distribution made to the Library from the Foundation is currently 3% of the average fair market value of the permanent endowment fund for the prior three fiscal years using the values of the funds at the end of each fiscal year. Total return in excess of the 3% spending guidelines should be reinvested to grow the fund. Distributions from the board designated endowment funds are at the discretion of the Foundation's board of directors.

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 7 – ENDOWMENTS (CONTINUED)**

*Strategies Employed for Achieving Objective* - The objective of the fund manager should be long-term appreciation of the fund's assets and consistency of total portfolio performance. The performance of the portfolio is reviewed at least annually. The primary focus will be on a market cycle which covers a period of three to five years. The fund should earn a total rate of return (interest, dividends, and net realized and unrealized gains/losses) of at least the board approved distribution rate, plus the Consumer Price Index, plus 1%.

Endowment net assets consist of the following as of June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2023</u>			
Donor-restricted endowment funds	\$ -	\$ 2,442,887	\$ 2,442,887
Board-designated endowment funds	1,912,173	-	1,912,173
Endowment funds in investments	1,912,173	2,442,887	4,355,060
Board-designated endowment funds at Community Foundation	13,892	-	13,892
Total endowment funds	<u>\$ 1,926,065</u>	<u>\$ 2,442,887</u>	<u>\$ 4,368,952</u>
<u>June 30, 2022</u>			
Donor-restricted endowment funds	\$ -	\$ 2,288,602	\$ 2,288,602
Board-designated endowment funds	1,912,173	-	1,912,173
Endowment funds in investments	1,912,173	2,288,602	4,200,775
Board-designated endowment funds at Community Foundation	13,737	-	13,737
Total endowment funds	<u>\$ 1,925,910</u>	<u>\$ 2,288,602</u>	<u>\$ 4,214,512</u>

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 7 – ENDOWMENTS (CONTINUED)**

Changes in endowment net assets for the years ended June 30, 2023 and 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 1,927,524	\$ 2,649,934	\$ 4,577,458
Contributions	-	2,931	2,931
Distributions	(603)	-	(603)
Investment return, net	-	73,267	73,267
Net depreciation	-	(369,695)	(369,695)
Change in beneficial interest	(1,011)	-	(1,011)
Amounts appropriated for expenditure	-	(67,835)	(67,835)
Endowment net assets, June 30, 2022	1,925,910	2,288,602	4,214,512
Contributions	-	2,887	2,887
Distributions	(625)	-	(625)
Investment return, net	-	41,916	41,916
Net appreciation	-	179,735	179,735
Change in beneficial interest	780	-	780
Amounts appropriated for expenditure	-	(70,253)	(70,253)
Endowment net assets, June 30, 2023	<u>\$ 1,926,065</u>	<u>\$ 2,442,887</u>	<u>\$ 4,368,952</u>

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2023 and 2022, are restricted for the following purposes or periods:

	2023	2022
Books and materials		
Original gifts	\$ 280,743	\$ 250,457
Endowment earnings	222,545	238,891
Children's services		
Original gifts	320,427	381,755
Endowment earnings	42,864	35,964
Library programs	-	20,000
Downtown library - capital improvements	1,217,202	1,317,202
Endowment earnings	510,109	407,464
Perpetuity	1,609,171	1,606,283
Capital fund	509,742	9,663
Staff expansion	-	20,000
Total net assets with donor restrictions	<u>\$ 4,712,803</u>	<u>\$ 4,287,679</u>

**Cedar Rapids Public Library Foundation**  
**Notes to Consolidated Financial Statements**

**NOTE 9 – NET ASSET RECONCILIATION**

The following is a reconciliation of net assets as of June 30, 2023 and 2022:

	Without Donor Restrictions			With Donor Restrictions		
	Undesignated	Board Designated	Total	Purpose or Time	Restricted in Perpetuity	Total
<u>June 30, 2023</u>						
Books and Materials	\$ -	\$ -	\$ -	\$ 503,288	\$ 394,232	\$ 897,520
Children's Services	-	1,413,387	1,413,387	363,291	68,761	432,052
Library Programs	-	-	-	-	-	-
Downtown Library						
Capital Improvements	-	-	-	1,217,202	-	1,217,202
Capital Fund	-	-	-	509,742	-	509,742
Endowment Earnings	-	-	-	510,109	-	510,109
Operating Reserve	-	653,667	653,667	-	-	-
Strategic Initiatives	-	155,000	155,000	-	-	-
General Endowment	-	512,678	512,678	-	1,146,178	1,146,178
Undesignated	2,798,201	-	2,798,201	-	-	-
<b>Total</b>	<b>\$2,798,201</b>	<b>\$2,734,732</b>	<b>\$5,532,933</b>	<b>\$3,103,632</b>	<b>\$1,609,171</b>	<b>\$4,712,803</b>
<u>June 30, 2022</u>						
Books and Materials	\$ -	\$ -	\$ -	\$ 489,348	\$ 391,344	\$ 880,692
Children's Services	-	1,319,839	1,319,839	417,719	68,761	486,480
Library Programs	-	-	-	20,000	-	20,000
Downtown Library						
Capital Improvements	-	-	-	1,317,202	-	1,317,202
Capital Fund	-	-	-	9,663	-	9,663
Endowment Earnings	-	-	-	407,464	-	407,464
Operating Reserve	-	779,887	779,887	-	-	-
Strategic Initiatives	-	205,000	205,000	-	-	-
Staff Expansion	-	-	-	20,000	-	20,000
General Endowment	-	606,071	606,071	-	1,146,178	1,146,178
Undesignated	2,166,194	-	2,166,194	-	-	-
<b>Total</b>	<b>\$2,166,194</b>	<b>\$2,910,797</b>	<b>\$5,076,991</b>	<b>\$2,681,396</b>	<b>\$1,606,283</b>	<b>\$4,287,679</b>